

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2024 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any 2024 Bond for any period that such 2024 Bond is held by a "substantial user" of the facilities financed or refinanced by the 2024 Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the 2024B Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 2024A Bonds is a specific preference item for purposes of the federal individual alternative minimum tax, and that interest on the 2024 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel is also of the opinion that, under 48 U.S.C. Section 1423a, interest on the 2024 Bonds is exempt from taxation by the Government of Guam, or by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2024 Bonds. See "TAX MATTERS."



**A.B. WON PAT INTERNATIONAL  
AIRPORT AUTHORITY, GUAM**

**\$47,170,000**  
**General Revenue Bonds**  
**2024 Series A (AMT)**

**\$20,640,000**  
**General Revenue Bonds**  
**2024 Series B (Non-AMT)**

**Dated: Closing Date**

**Due: As shown on the inside cover page**

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Capitalized terms not defined on this cover page are defined inside.*

The A.B. Won Pat International Airport Authority, Guam (the "Authority") is issuing its General Revenue Bonds, 2024 Series A (AMT) (the "2024A Bonds") and its General Revenue Bonds, 2024 Series B (Non-AMT) (the "2024B Bonds" and together with the 2024A Bonds, the "2024 Bonds") for the purposes of (i) paying the purchase price of certain of the Authority's outstanding Bonds tendered for cash and accepted by the Authority pursuant to the Invitation to Tender Bonds for Purchase and (ii) paying expenses incurred in connection with the issuance of the 2024 Bonds and of such refunding. See "PLAN OF REFUNDING."

The issuance, sale and delivery of the 2024 Bonds have been approved by the Board of Directors of the Authority. The issuance, terms and conditions of the 2024 Bonds have been approved by the Legislature of Guam. The sale of the 2024 Bonds has been approved by the Board of Directors of the Guam Economic Development Authority ("GEDA"). The 2024 Bonds are authorized to be issued pursuant to Chapter 1 of Title 12 of the Guam Code Annotated, as amended (the "Act"), and pursuant to an indenture, dated as of September 1, 2003 (the "General Indenture"), by and among the Authority, Bank of Guam (the "Trustee") and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association (the "Co-Trustee"), as amended and supplemented, including by a supplemental indenture, dated as of October 1, 2024 (the "Seventh Supplemental Indenture"), by and among the Authority, the Trustee and the Co-Trustee. The General Indenture, as so amended and supplemented, including by the Seventh Supplemental Indenture, is referred to herein as the "Indenture."

The 2024 Bonds mature on the dates and in the amounts and will bear interest at the rates per annum listed on the inside front cover page. Interest on the 2024 Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2025. The 2024 Bonds are subject to redemption prior to maturity as described herein.

The 2024 Bonds are not general obligations of the Authority, but are limited obligations payable solely from and secured by a pledge of Revenues (as defined in the Indenture and more particularly described herein) consisting primarily of all gross income and revenue received by the Authority from the ownership or operation of the Airport, including all rents, fees and charges received by the Authority for the use of the Airport, all Payment Agreement Receipts, all proceeds of insurance or grants covering business interruption loss (and related losses and expenses) relating to the Airport, all investment income available for such purpose (except from the Construction Accounts, the Capital Improvement Fund or the Rebate Fund), and certain proceeds of passenger facility charges, but not including amounts received from certain other insurance proceeds, and certain other amounts, all as more fully described herein, subject to the provisions of the Indenture permitting the application of Revenues for or to the purposes (including payment of Operation and Maintenance Expenses) and on the terms and conditions set forth therein. Neither the Government of Guam (the "Government") nor any political subdivision thereof is obligated to pay the principal of or interest on the 2024 Bonds, except from such Revenues, and none of the Authority, the Government or any political subdivision thereof has pledged its faith or credit to the payment of the principal of or interest on the 2024 Bonds.

The 2024 Bonds are being issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the 2024 Bonds may be made in book-entry form only, in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive physical delivery of 2024 Bonds purchased by them. So long as the 2024 Bonds are held by DTC, payments of the principal of and interest on the 2024 Bonds will be payable to DTC, which in turn will remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the 2024 Bonds.

*The 2024 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Calvo Jacob & Pangelinan LLP, Hagåtña, Guam, and for the Underwriter by their counsel, Hawkins Delafield & Wood LLP, Portland, Oregon. It is expected that the 2024 Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about October 9, 2024.*



## MATURITY SCHEDULES

### A.B. WON PAT INTERNATIONAL AIRPORT AUTHORITY, GUAM

#### \$47,170,000 General Revenue Bonds 2024 Series A (AMT)

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	CUSIP No. 40064R*
2027	\$ 935,000	5.00%	3.48%	FH7
2028	1,775,000	5.00	3.52	FJ3
2029	4,380,000	5.00	3.57	FK0
2030	3,140,000	5.00	3.69	FL8
2031	3,035,000	5.00	3.78	FM6
2032	6,425,000	5.00	3.88	FN4
2033	2,110,000	5.00	3.92	FP9
2034	1,720,000	5.00	3.94	FQ7
2035	2,210,000	5.25	3.98 <sup>†</sup>	FR5
2036	565,000	5.25	4.01 <sup>†</sup>	FS3
2037	3,400,000	5.25	4.02 <sup>†</sup>	FT1
2038	3,575,000	5.25	4.03 <sup>†</sup>	FU8
2039	3,755,000	5.25	4.05 <sup>†</sup>	FV6
2040	1,845,000	5.25	4.09 <sup>†</sup>	FW4
2041	4,170,000	5.25	4.13 <sup>†</sup>	FX2
2042	2,015,000	5.25	4.19 <sup>†</sup>	FY0
2043	2,115,000	5.25	4.25 <sup>†</sup>	FZ7

#### \$20,640,000 General Revenue Bonds 2024 Series B (Non-AMT)

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	CUSIP No. 40064R*
2027	\$ 410,000	5.00%	2.90%	GA1
2028	780,000	5.00	2.95	GB9
2029	1,910,000	5.00	3.00	GC7
2030	1,360,000	5.00	3.07	GD5
2031	1,310,000	5.00	3.17	GE3
2032	2,755,000	5.00	3.27	GF0
2033	905,000	5.00	3.36	GG8
2034	735,000	5.00	3.43	GH6
2035	970,000	5.00	3.49 <sup>†</sup>	GJ2
2036	250,000	5.00	3.55 <sup>†</sup>	GK9
2037	1,495,000	5.00	3.59 <sup>†</sup>	GL7
2038	1,575,000	5.00	3.60 <sup>†</sup>	GM5
2039	1,665,000	5.00	3.68 <sup>†</sup>	GN3
2040	820,000	5.00	3.75 <sup>†</sup>	GP8
2041	1,860,000	5.00	3.84 <sup>†</sup>	GQ6
2042	895,000	5.00	3.90 <sup>†</sup>	GR4
2043	945,000	5.00	3.96 <sup>†</sup>	GS2

\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Guam Economic Development Authority (“GEDA”) or the Underwriter and are included solely for the convenience of the holders of the 2024 Bonds. None of the Authority, GEDA or the Underwriter are responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the 2024 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the 2024 Bonds.

<sup>†</sup> Yield computed to first optional redemption date of October 1, 2034 at par.

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**A.B. WON PAT  
INTERNATIONAL AIRPORT AUTHORITY,  
GUAM**

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Brian J. Bamba  
Board Chairman

Gurvinder Sobti  
Board Vice Chairman

Lucy M. Alcorn  
Board Director

Jesse G. Garcia  
Board Director

John M. Quinata  
Executive Manager

Donald I. Weakley  
Board Secretary

Doyon Ahn Morato  
Board Director

Rosie R. Tainatongo  
Board Director

Artemio Hernandez  
Deputy Executive Manager

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**GOVERNMENT OF GUAM**

---

Lourdes A. Leon Guerrero  
Governor

Joshua F. Tenorio  
Lieutenant Governor

---

**GUAM ECONOMIC DEVELOPMENT AUTHORITY**

---

Melanie Mendiola  
Chief Executive Officer / Administrator

Carlos Bordallo  
Deputy Administrator

Christina D. Garcia  
Public Finance Manager

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*Co-Trustee, Paying Agent and  
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*Auditors*  
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LLC

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The information set forth in this Official Statement has been furnished by the Authority and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter. The information and expressions of opinion stated herein are subject to change without notice and neither 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 information or opinions stated herein or in the affairs of the Authority since the date hereof.

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 such information.

This Official Statement is not to be construed as a contract with the purchasers of the 2024 Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

**CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT ARE NOT INTENDED TO REFLECT HISTORICAL FACTS BUT ARE ESTIMATES AND “FORWARD-LOOKING STATEMENTS.” NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS OR FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE,” “PROJECT,” “FORECAST,” “ANTICIPATE,” “EXPECT,” “ASSUME,” “INTEND,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINION, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO SUCH FORWARD-LOOKING STATEMENTS OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED DO OR DO NOT OCCUR.**

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2024 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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**A.B. WON PAT  
INTERNATIONAL AIRPORT AUTHORITY, GUAM**

**\$47,170,000  
General Revenue Bonds  
2024 Series A (AMT)**

**\$20,640,000  
General Revenue Bonds  
2024 Series B (Non-AMT)**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page, the inside cover page, the table of contents and the appendices hereto (collectively, the “**Official Statement**”), is to provide information concerning the issuance by the A.B. Won Pat International Airport Authority, Guam (the “**Authority**”) of its \$47,170,000 General Revenue Bonds, 2024 Series A (AMT) (the “**2024A Bonds**”), and its \$20,640,000 General Revenue Bonds, 2024 Series B (Non-AMT) (the “**2024B Bonds**” and, together with the 2024A Bonds, the “**2024 Bonds**”)

This Introduction is not a summary of this Official Statement, but is only a brief description of, and is qualified by, more complete and detailed information contained in this Official Statement. The Introduction should not be relied upon to provide all of the information necessary to make an informed decision about purchasing the 2024 Bonds. A full review should be made of the entire Official Statement. The offering of 2024 Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used herein that are not otherwise defined shall have the meanings set forth in “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE” or in “APPENDIX B – SUMMARY OF THE FORM OF SIGNATORY AIRLINE OPERATING AGREEMENT AND TERMINAL BUILDING LEASE.”

**The Authority**

The Authority is organized and exists under Chapter 1 of Title 12 of the Guam Code Annotated, as amended (the “**Act**”), and is a public corporation and an autonomous instrumentality of the Government of Guam (the “**Government**”) with authority to construct, operate and maintain airports for civil aviation purposes on Guam, including the Antonio B. Won Pat Guam International Air Terminal and related facilities (collectively, the “**Airport**”). See “THE AUTHORITY.”

**The Airport**

The Airport is centrally located in Guam’s business district on an 1,800-acre parcel of land. The Airport has approximately 874,000 square feet of terminal space, along with approximately 250,000 square feet of adjacent facilities, including hangars, maintenance facilities, warehouse space, storage facilities, office space and expansive ground space. The Airport is the only commercial air carrier airport serving Guam and is the principal air carrier airport serving the surrounding Micronesian islands. The Airport is classified as a small air traffic hub, based on annual enplaned passenger levels, by the Federal Aviation Administration (the “**FAA**”).

**The 2024 Bonds**

The 2024 Bonds are being issued pursuant to the Act and pursuant to an indenture, dated as of September 1, 2003 (the “**General Indenture**”), by and among the Authority, Bank of Guam (the “**Trustee**”) and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association (the “**Co-Trustee**”), as amended and supplemented, including by a supplemental indenture, dated as of October 1, 2024 (the “**Seventh Supplemental Indenture**”), by and among the Authority, the Trustee and the Co-Trustee. The General Indenture, as so amended and supplemented, including by the Seventh Supplemental Indenture, is referred to herein as the “**Indenture**.” The issuance, sale and delivery of the 2024 Bonds have been approved by the Board of Directors of the Authority. The issuance, terms and conditions of the 2024 Bonds have been approved by the Legislature of Guam. The sale of the 2024 Bonds has been approved by the Board of Directors of the Guam Economic Development Authority (“**GEDA**”). See “THE 2024 BONDS.”

The Authority is issuing the 2024 Bonds for the purposes of (i) paying the purchase price of certain of the Authority's outstanding General Revenue Bonds, 2021 Series A (Taxable) (the "**2021 Bonds**") tendered for cash and accepted by the Authority pursuant to the Invitation to Tender Bonds for Purchase (as further described herein) and (ii) paying expenses incurred in connection with the issuance of the 2024 Bonds and of such refunding. See "PLAN OF REFUNDING."

### **Security and Sources of Payment for the Bonds**

The 2024 Bonds are secured by a pledge of and a lien on Revenues (as defined herein), subject only to the prior payment of Operating and Maintenance Expenses (as defined herein), on a parity with any Bonds (as defined herein) previously issued and outstanding under the Indenture and any additional Bonds or obligations that may be issued on a parity therewith under the Indenture (as further defined herein, "**Additional Bonds**"). The Authority's General Revenue Bonds, 2019 Series B (Taxable) (the "**2019 Series B Bonds**"), the 2021 Bonds and the Authority's General Revenue Bonds, 2023 Series A (AMT) (Forward Delivery) (the "**2023 Bonds**") are collectively referred to herein as the "**Prior Bonds**." As of August 1, 2024, \$194,410,000 aggregate principal amount of the Authority's Prior Bonds were outstanding. The outstanding Prior Bonds, together with the 2024 Bonds and any Additional Bonds that may be issued in the future, are referred to in this Official Statement as the "**Bonds**."

The Bonds, including the 2024 Bonds, are not general obligations of the Authority, but are limited obligations payable solely from and secured by a pledge of Revenues under the Indenture. The Bonds are secured by a lien upon and pledge of Revenues to be received by the Authority, the Trustee or the Depositary, and the Indenture prohibits the issuance of any other prior lien bonds and any parity debt except parity debt issued or incurred in accordance with the Indenture. Neither the payment of the principal of the 2024 Bonds, nor any interest thereon, is a debt, liability or obligation of the Government.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

### **Investment Considerations**

There are important investment considerations and risks associated with the purchase of the 2024 Bonds. See "CERTAIN INVESTMENT CONSIDERATIONS" for a discussion of some of these considerations and risks. Any one or more of the considerations and risks discussed, and others, could lead to a decrease in the market value and/or the liquidity of the 2024 Bonds. Potential purchasers of the 2024 Bonds are advised to review this Official Statement carefully.

### **Continuing Disclosure**

The Authority will covenant for the benefit of the holders and beneficial owners of the 2024 Bonds to provide annually certain financial information and operating data and to provide notice of certain enumerated events to assist the Underwriter in complying with the Securities and Exchange Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" and the form of Continuing Disclosure Agreement attached hereto as APPENDIX F.

### **Miscellaneous**

Brief descriptions of the 2024 Bonds, the Authority and Guam and summaries of the Indenture, the form of Airline Operating Agreement (as defined herein) and certain other documents are included in this Official Statement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to such documents and to any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. Copies of such documents are available for inspection at the Administration Office of the A.B. Won Pat International Airport Authority, Guam, A.B. Won Pat Terminal, 355 Chalan Pasaheru, Route 10A, 3<sup>rd</sup> Floor, Tamuning, Guam 96931, during normal business hours, Monday through Friday, excluding Guam observed holidays.

The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made with respect hereto shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Airport since the date hereof.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the 2024 Bonds.

## PLAN OF REFUNDING

### General

The 2024 Bonds are being issued by the Authority for the purposes of (i) paying the purchase price of certain of the outstanding 2021 Bonds tendered for cash and accepted by the Authority pursuant to the Invitation to Tender Bonds for Purchase and (ii) paying expenses incurred in connection with the issuance of the 2024 Bonds and of such refunding.

On August 23, 2024, the Authority, with the assistance of Barclays Capital Inc. (the “**Dealer Manager**”), released an Invitation to Tender Bonds for Purchase (the “**Invitation**”) inviting beneficial owners of certain maturities of the Authority’s outstanding 2021 Bonds (the “**Target Bonds**”) to tender their Target Bonds for purchase pursuant to the terms of the Invitation.

The Invitation expired by its terms on September 13, 2024. By its notice dated September 18, 2024, the Authority provided its final notice of accepted tenders of the Target Bonds tendered for purchase as shown in the table under “– Purchased Bonds” (such accepted Target Bonds, the “**Purchased Bonds**”), subject to the conditions set forth in the Invitation. Purchased Bonds will be purchased on the closing date for the 2024 Bonds, subject to the conditions for settlement set forth in the Invitation, and cancelled. Such purchase of the Purchased Bonds will be funded by a portion of the proceeds of the 2024 Bonds and the Authority’s ability to fund the tender of such Purchased Bonds is contingent on the issuance of the 2024 Bonds.

Subject to satisfaction of all conditions to the Authority’s obligation to purchase the Purchased Bonds pursuant to the Invitation, payment by the Authority will be made through DTC on the closing date for the 2024 Bonds. The Authority expects that, in accordance with DTC’s standard procedures, DTC will transmit the Aggregate Purchase Price (as defined in the Invitation) to be paid for the Purchased Bonds (plus Accrued Interest (as defined in the Invitation), as applicable) to DTC participants holding the Purchased Bonds on behalf of Bondowners for subsequent disbursement to the Bondowners. The Authority, the Dealer Manager and the Information Agent and Tender Agent (as defined in the Invitation) have no responsibility or liability for the distribution of the Aggregate Purchase Price paid and Accrued Interest by DTC to DTC participants or by DTC participants to Bondowners.

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## Purchased Bonds

The following table details the Purchased Bonds.

### A.B. Won Pat International Airport Authority, Guam General Revenue Bonds, 2021 Series A (Federally Taxable)

<b>Maturity Date (October 1)</b>	<b>CUSIP<sup>†</sup></b>	<b>Interest Rate</b>	<b>Principal Amount Outstanding</b>	<b>Principal Amount Tendered and Accepted for Purchase</b>
2025	40064R EC9	2.499%	\$10,700,000	\$ 3,545,000
2026	40064R ED7	2.699	10,965,000	590,000
2027	40064R EE5	2.899	11,260,000	1,955,000
2028	40064R EF2	3.099	9,610,000	3,155,000
2029	40064R EG0	3.189	8,125,000	6,860,000
2030	40064R EH8	3.339	8,385,000	4,970,000
2031	40064R EJ4	3.489	8,665,000	4,755,000
2036 <sup>‡</sup>	40064R EK1	3.839	28,480,000	19,940,000
2043 <sup>‡</sup>	40064R EL9	4.460	47,240,000	30,865,000

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, GEDA or the Underwriter and are included solely for the convenience. None of the Authority, GEDA or the Underwriter are responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness as indicated above. The CUSIP number for a specific maturity is subject to change after their original issuance.

<sup>‡</sup> Term Bond.

## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2024 Bonds, together with other available funds, are expected to be applied as follows:

	<b>2024A Bonds</b>	<b>2024B Bonds</b>	<b>Total</b>
<b>Sources:</b>			
Principal Amount of 2024 Bonds	\$47,170,000.00	\$20,640,000.00	\$67,810,000.00
Original Issue Premium	3,918,929.60	2,210,880.40	6,129,810.00
Bond Reserve Account Release	35,191.37	15,740.28	50,931.65
<b>Total Sources</b>	<b>\$51,124,120.97</b>	<b>\$22,866,620.68</b>	<b>\$73,990,741.65</b>
<b>Uses:</b>			
Payment of Purchased Bonds <sup>(1)</sup>	\$50,162,560.24	\$22,439,530.77	\$72,602,091.01
Costs of Issuance <sup>(2)</sup>	961,560.73	427,089.91	1,388,650.64
<b>Total Uses</b>	<b>\$51,124,120.97</b>	<b>\$22,866,620.68</b>	<b>\$73,990,741.65</b>

<sup>(1)</sup> Includes Accrued Interest (as defined in the Invitation) on Purchased Bonds from October 1, 2024 up to but not including October 9, 2024.

<sup>(2)</sup> Includes Underwriter's discount, Dealer Manager fee, Trustee and Co-Trustee fees, municipal advisor fees, verification agent fees, legal fees and expenses, rating agency fees, printing costs and other miscellaneous costs of issuance.

## THE 2024 BONDS

### General

Capitalized terms used in this section that are not otherwise defined shall have the meanings set forth in “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE.”

When issued, the 2024 Bonds will be dated their date of delivery and will bear interest at the rates per annum and will mature, subject to prior redemption, on the dates and in the principal amounts set forth on the inside front cover page of this Official Statement. Interest on the 2024 Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2025 (each, an “**Interest Payment Date**”). Interest will accrue on the 2024 Bonds on the basis of a 360-day year comprised of twelve 30-day months. Each 2024 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, except that (1) 2024 Bonds authenticated during the period from the Record Date immediately preceding an Interest Payment Date to such Interest Payment Date, inclusive, will bear interest from such Interest Payment Date, and (2) 2024 Bonds registered on or prior to the Record Date for the first Interest Payment Date for the 2024 Bonds will bear interest from their date; provided, however, that if interest on the 2024 Bonds then Outstanding shall be in default at the time of authentication of any 2024 Bond, such 2024 Bond will bear interest from the date to which interest has previously been paid or made available for payment on the 2024 Bonds then Outstanding.

The 2024 Bonds will be issued in denominations of \$5,000 and integral multiples thereof and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company (“**DTC**”), New York, New York. DTC will act as securities depository for the 2024 Bonds. Individual purchases may be made only in book-entry form, and purchasers will not receive certificates representing their interest in the 2024 Bonds purchases. Except as described under “TAX MATTERS,” so long as Cede & Co. is the registered owner of the 2024 Bonds, as nominee of DTC, references herein to “Bondholders” or to “registered owners” of the 2024 Bonds mean Cede & Co. and not the Beneficial Owners of the 2024 Bonds. In this Official Statement, the term “**Beneficial Owner**” means the person for whom a DTC participant acquires an interest in the 2024 Bonds.

So long as DTC, or its nominee Cede & Co. (or such other nominee as an authorized officer of DTC may request) is the registered owner of the 2024 Bonds, payments of the principal of and interest on the 2024 Bonds are to be made directly to DTC, which, in turn, is to remit such amounts to the Direct and Indirect Participants (as defined herein) for subsequent distribution to the Beneficial Owners. See “APPENDIX G – DTC AND ITS BOOK-ENTRY SYSTEM.”

### Redemption of the 2024 Bonds

#### 2024A Bonds

**Extraordinary Optional Redemption of 2024A Bonds.** The Indenture provides that the Authority shall have the right to redeem the 2024A Bonds on any date prior to their respective stated maturities, as a whole, or in part, by lot within each maturity so that the reduction in Annual Debt Service for the 2024A Bonds for each Bond Year after such redemption date shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the Airport or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the Airport, under the circumstances and upon the conditions and terms set forth in the Indenture, at the principal amount thereof to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

**Optional Redemption of 2024A Bonds.** The 2024A Bonds maturing on or after October 1, 2035 are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available moneys, on any date on or after October 1, 2034, as a whole, or in part by such maturity or portions thereof as may be determined by the Authority (or by lot within a maturity in the absence of such a determination), at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

## 2024B Bonds

***Extraordinary Optional Redemption of 2024B Bonds.*** The Indenture provides that the Authority shall have the right to redeem the 2024B Bonds on any date prior to their respective stated maturities, as a whole, or in part, by lot within each maturity so that the reduction in Annual Debt Service for the 2024B Bonds for each Bond Year after such redemption date shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the Airport or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the Airport, under the circumstances and upon the conditions and terms set forth in the Indenture, at the principal amount thereof to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

***Optional Redemption of 2024B Bonds.*** The 2024B Bonds maturing on or after October 1, 2035 are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available moneys, on any date on or after October 1, 2034, as a whole, or in part by such maturity or portions thereof as may be determined by the Authority (or by lot within a maturity in the absence of such a determination), at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

***Selection of 2024 Bonds for Redemption.*** In the event that less than all of the 2024 Bonds of any maturity are to be redeemed, the 2024 Bonds (or portions thereof) to be redeemed shall be selected by the Authority or, in the absence of such a selection by the Authority, by the applicable Registrar by lot within such maturity in such manner as the Registrar may determine.

***Notice of Redemption.*** Notice of redemption (except as otherwise provided in the Indenture) shall be given, not less than thirty (30) nor more than sixty (60) days before the date fixed for redemption, by first class mail to each of the registered owners of the 2024 Bonds designated for redemption at their addresses appearing on the Bond registration books of the applicable Registrar on the date the 2024 Bonds to be redeemed are selected. Each notice of redemption shall state the redemption date, the place or places of redemption, the Series and maturities to be redeemed, and, if less than all of any such maturity, the numbers of the 2024 Bonds of such maturity to be redeemed and, in the case of 2024 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall also state that on said date there will become due and payable on each of said 2024 Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2024 Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2024 Bonds be then surrendered, with a written instrument of transfer duly executed by the registered owner thereof or by such registered owner's attorney duly authorized in writing. No defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of such 2024 Bonds. Each notice of redemption shall also state the CUSIP number, date of issue and interest rate on each 2024 Bond, or portion thereof, to be redeemed, and shall include the redemption agent name and address; provided, however, that failure to include any of such information in any redemption notice, or any inaccuracy in any such information, shall not affect the sufficiency of the proceedings for redemption of any 2024 Bonds.

Notwithstanding the foregoing, so long as all 2024 Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such 2024 Bond and all notices with respect to each such 2024 Bond shall be made and given, respectively, to DTC in accordance with DTC operational arrangements and the letter of representations from the Authority on file with DTC.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption.

## **Defeasance**

Pursuant to the General Indenture, upon the deposit with the Trustee, in trust, at or before maturity of the Bonds, of money or Federal Securities in the necessary amount to pay or redeem Outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed

prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice, then all liability of the Authority in respect of such Bonds will cease, terminate and be completely discharged and the Owners thereof will thereafter be entitled only to payment out of the money or Federal Securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture relating to payment of Bonds after the discharge of Indenture. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE – Summary of Certain Provisions of the General Indenture – Defeasance.”

### **Trustee, Co-Trustee, Registrar and Paying Agent**

Bank of Guam has been appointed to act as the Trustee for the Bonds, including the 2024 Bonds, and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, has been appointed to act as Co-Trustee, registrar (the “**Registrar**”) and paying agent (the “**Paying Agent**”) for the Bonds, including the 2024 Bonds.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **Pledge of Revenues**

The Bonds are limited obligations of the Authority and are payable solely from, and secured solely by, a lien on and pledge of, the Revenues. Pursuant to the Indenture, the Authority has pledged all of the Revenues, subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indenture, to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture and the payment of Credit Agreement Payments and Parity Payment Agreement Payments in accordance with their terms. The Indenture provides that such pledge constitutes a first lien on and security interest in the Revenues and will attach, be perfected and be valid and binding from and after delivery of the first Series of Bonds issued under the General Indenture, without any physical delivery of such Revenues or further act.

As defined in the Indenture, the “Revenues” include all gross income and revenue received by the Authority from the ownership or operation of the Airport, including all rents, fees and charges received by the Authority for the use of the Airport, all Payment Agreement Receipts, all proceeds of insurance or grants covering business interruption loss (and related losses and expenses) relating to the Airport, and all investment income which is available for the purposes for which Revenues are used under the Indenture (other than investment income from the Construction Accounts, the Capital Improvement Fund or the Rebate Fund), but do not include: (1) amounts received as insurance proceeds (except as described above) or from the sale, transfer or other disposition of, or upon the taking by or under the threat of eminent domain of, all or any part of the Airport (which moneys shall be received and disposed of pursuant to the Indenture); (2) proceeds from any securities issued by the Authority or proceeds from loans obtained by the Authority; (3) amounts derived from any Special Facility and which are pledged or assigned as security for the payment of indebtedness incurred to finance such Special Facility; (4) the proceeds of any court or arbitration award or settlement in lieu thereof received by the Authority; (5) amounts received by the Authority as gifts or as grants (except as described above), whether restricted or unrestricted; and (6) other amounts (except as described above), the use of which is restricted by the donor or grantor.

In addition, the Indenture provides that the proceeds of any passenger facility charges (“**PFC**”) are to be treated as Revenues for the purposes of the Indenture, including the pledge of Revenues in the Indenture, but are required to be used under the Indenture only to the extent and for the purposes that such proceeds are permitted to be used by federal law or regulation. See “CERTAIN FUNDING SOURCES – Passenger Facility Charges.”

The Authority has covenanted in the Indenture that, so long as any Bonds are outstanding, the Authority will not issue any bonds or obligations payable from Revenues or secured by a pledge, lien or charge upon Revenues prior to or on a parity with the Bonds, other than the Bonds, any Parity Agreement Payments and any Credit Agreement Payments.

The ability of the Authority to pay principal of and interest on the Bonds will depend upon the receipt by the Authority of sufficient Revenues. If Revenues and amounts available in the funds and accounts under the Indenture are insufficient to pay the principal of and interest on the 2024 Bonds, no other source of repayment exists. The Authority has no taxing power.

### **Flow of Funds**

The Indenture requires the Authority to deposit all Revenues upon receipt in the General Revenue Bond Revenue Fund (the “**Revenue Fund**”), and provides that upon such receipt, such Revenues immediately become subject to the lien and pledge of the Indenture. Pursuant to the Indenture, on or before the fifth day of each calendar month, the Depository is required to transfer from the Revenue Fund (to the Trustee as necessary) for deposit into the following funds and accounts in the following order of priority, the following amounts (including the making up of any deficiencies in any such fund or account resulting from lack of Revenues sufficient to make any earlier required deposit):

(A) into the Operation and Maintenance Fund, an amount equal to the amount of Operation and Maintenance Expenses budgeted by the Authority to be paid from Revenues during the next succeeding calendar month;

(B) into the Debt Service Fund, the amount necessary to increase the amount in the Debt Service Fund to the aggregate amount for all Outstanding Bonds of all unpaid interest, principal and Mandatory Sinking Account Payments and for all Outstanding Parity Payment Agreements, if any, of all Parity Payment Agreement Payments with respect thereto and for all Outstanding Credit Agreements, if any, of all Credit Agreement Reimbursement Payments due and payable to the extent not otherwise included in such amount, as described in (1) through (5) below (after taking into account amounts transferred and to be transferred from any Construction Account to pay Capitalized Interest and any amounts to be transferred to the Debt Service Fund from the Revenue Fund representing payments required to be paid by a Qualified Counterparty on or prior to an Interest Payment Date pursuant to an Outstanding Payment Agreement related to any Bonds):

(1) for current interest Bonds, an amount equal to the amount of interest payable on any Interest Payment Date in substantially equal monthly amounts over the applicable Interest Accrual Periods for the Bonds ending on the Interest Payment Date or, in the case of Variable Rate Bonds, an amount equal to 110% of the amount of interest accrued during the next preceding calendar month less any excess deposited for the next preceding calendar month;

(2) for Bonds bearing interest on a deferred compounded basis, the amount of interest payable on any Interest Payment Date in substantially equal monthly amounts over the period during which such interest accrues;

(3) the amount of the principal of each Bond in equal monthly amounts over the Principal Payment Period for such Bond ending on the maturity date for such Bond;

(4) the amount of each Mandatory Sinking Account Payment for Bonds in equal monthly amounts over the Principal Payment Period for such Bonds ending on the date such Mandatory Sinking Account Payment is due;

(5) the amount of any Parity Payment Agreement Payment payable on any Payment Agreement Payment Date (a) in the case of such payments calculated based on a fixed rate, in equal monthly installments over the Payment Agreement Payment Accrual Period for such Payment Agreement Payment ending on such Payment Agreement Payment Date and (b) in the case of such payments calculated based on a variable rate, in monthly installments equal to 110% of the amount of such obligation accrued during the next preceding calendar month less any excess deposited for the next preceding calendar month; and

(6) to the extent not otherwise included in the amounts described in (1) through (5) above, the amount of any Credit Agreement Reimbursement Payment due and payable;

(C) into the Bond Reserve Fund (and into each Bond Reserve Account), the amount, if any, needed to increase the amount in each Bond Reserve Account to its Bond Reserve Account Requirement as of the date of such transfer (see “– Bond Reserve Fund” for a discussion of the circumstances under which the Authority is permitted under the Indenture to make a monthly deposit to a Bond Reserve Account that is less than the amount necessary to increase the amount therein to the Bond Reserve Account Requirement);

(D) into the Subordinate Securities Fund (and any accounts therein), the amount, if any, needed to increase the amount in such Fund and each such account to its requirement (including any requirements for reasonable debt service reserves and requirements related to Payment Agreements that constitute Subordinate Securities);

(E) into the Operation and Maintenance Reserve Fund, the amount, if any, needed to increase the amount in the Operation and Maintenance Reserve Fund to an amount equal to one-fourth (1/4) of the total Operation and Maintenance Expenses budgeted by the Authority for the then-current Fiscal Year;

(F) into the Renewal and Replacement Fund, the amount, if any, needed to increase the amount in the Renewal and Replacement Fund to an amount equal to the greater of \$1,000,000 or such amount as may be established by Request of the Authority; and

(G) into the Capital Improvement Fund, the balance remaining in the Revenue Fund after the deposits described above have been made.

The Interest Accrual Periods and Principal Payment Periods for a Series of Bonds are established in the Supplemental Indenture providing for the issuance of such Series of Bonds. As set forth in the Seventh Supplemental Indenture, the Principal Payment Period for the 2024 Bonds is the 12 calendar months next preceding a principal payment date, and the Interest Accrual Period for the 2024 Bonds is six calendar months, in each case beginning on the next preceding Interest Payment Date. The Authority may in the future establish different Principal Payment Periods and Interest Accrual Periods for Additional Bonds.

The Indenture provides that, in the event that the amount in any Fund or Account is insufficient for the purposes for which such Fund or Account was established, the Trustee, the Co-Trustee or the Depository, or the Depository upon the direction of the Trustee, is required to transfer to such Fund or Account the amount of such deficiency by withdrawing said amount from subordinate Funds and Accounts in reverse order of the priority described above and prior to any other claims upon such Funds and Accounts, subject only to the limitation that amounts in each Bond Reserve Account are only be used as provided in the Indenture.

Pursuant to the Airline Operating Agreements, Revenues deposited to the Capital Improvement Fund are to be deposited into the following accounts in the following amounts and order of priority:

(A) into the PFC Capital Account, an amount equal to the net PFC proceeds in excess of that amount used to fund debt service on Bonds, the proceeds of which were used to finance PFC projects, plus interest on PFC funds; and

(B) into the Capital Improvement Account, all remaining amounts, such amounts to be deposited (1) to the Other Available Moneys Coverage Subaccount in an amount equal to the lesser of (a) 50% of the deposit to the Capital Improvement Account or (b) debt service coverage for such Fiscal Year, such amount to be carried forward and applied in the succeeding Fiscal Year in accordance with provisions of the Indenture described in (A) through (G) above and as a basis for determining credits to the rates and fees established pursuant to the Airline Operating Agreement; and (2) to the Capital Improvements Subaccount, all remaining amounts in the Capital Improvement Account.

See “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Airline Operating Agreements,” “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE” and “APPENDIX B – SUMMARY OF THE FORM OF SIGNATORY

AIRLINE OPERATING AGREEMENT AND TERMINAL BUILDING LEASE” for definitions of the capitalized terms used above and descriptions of certain of the Funds and Accounts referenced above.

### **Rate Covenant**

The Authority has covenanted in the Indenture to at all times fix, prescribe and collect rents, fees and charges in connection with the services and facilities furnished by the Airport which will be sufficient to yield (i) Revenues during each Fiscal Year equal to at least the aggregate amount of all transfers required to be made pursuant to the provisions of the Indenture described above under “– Flow of Funds” in categories (A) through (F) for such Fiscal Year and (ii) the sum of Net Revenues plus Other Available Moneys during each Fiscal Year equal to at least 1.25 times the Aggregate Annual Debt Service for such Fiscal Year (collectively, the “**Rate Covenant**”).

The Indenture provides that if at the end of a Fiscal Year, (i) the sum of Net Revenues plus Other Available Moneys for such Fiscal Year were less than 1.25 times Aggregate Annual Debt Service for such Fiscal Year, or (ii) Revenues were less than the aggregate amount of all required transfers described above under “– Flow of Funds” in categories (A) through (F) for such Fiscal Year, the Authority is required to promptly employ an Airport Consultant to make recommendations as to a revision of rates, fees and charges or the methods of operation of the Airport, and promptly upon its receipt of such recommendations, to revise such rates, fees and charges or methods of operation and to take such other actions as will be in conformity with such recommendations, subject to applicable requirements or restrictions imposed by law and subject to a good faith determination of the Board of Directors of the Authority that such recommendations, in whole or in part, are in the best interests of the Authority, the Owners and each Credit Provider, if any. The Indenture provides that if the Authority complies in all material respects with the reasonable recommendations of the Airport Consultant, or makes a good faith determination that such recommendations are not in the best interests of the Authority, the Authority will be deemed to have complied with the Rate Covenant for such Fiscal Year; provided, that Net Revenues are in no event less than Aggregate Annual Debt Service for such Fiscal Year.

“**Net Revenues**” is defined in the Indenture to mean, for any particular period, all of the Revenues (other than Payment Agreement Receipts) received during such period less all Operation and Maintenance Expenses of the Airport incurred during such period.

“**Operation and Maintenance Expenses**” means (i) the reasonable and necessary direct and indirect costs of providing the administration, operation and maintenance of the Airport, including, but not limited to, salaries and wages, costs of insurance or other provision for retirement of officers and employees of the Authority (to the extent that said costs are allocated to the expense account of the Airport, as opposed to the capital account of the Airport, in conformity with generally accepted accounting principles), fees for services, costs of materials, supplies and fuel, expenses of maintenance and repairs and other expenses necessary to maintain and preserve the Airport in good condition and working order, costs of administration, overhead, insurance (including self-insurance being maintained in accordance with this Indenture), taxes (if any) and other similar items, lawful refunds, judgments and assessments, costs of defending or settling litigation or threatened litigation, Costs of Issuance not paid from the proceeds of Bonds, and expenses of the Fiduciaries, Credit Providers, Independent Certified Public Accountants, Airport Consultants and Consulting Engineers and payments to the United States of America under Section 148(f) of the Code; but not including depreciation and obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, costs of Capital Improvements which are chargeable to a capital account or to a reserve for depreciation, and charges for the payment of principal and interest on any bonds or other obligations heretofore or hereafter issued by the Authority and (ii) to the extent not included in (i), Other Credit Agreement Payments.

“**Other Available Moneys**” is defined in the Indenture to mean for any Fiscal Year the amount designated by the Authority of unencumbered moneys on deposit in the Capital Improvement Fund at the end of the prior Fiscal Year, but in no event will such amount exceed 25% of the Aggregate Annual Debt Service for such Fiscal Year.

“**Fiscal Year**” is defined in the Indenture to mean the period beginning on October 1 of each year and ending on the next succeeding September 30, or such other fiscal year as may be adopted by the Authority.

See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE – Certain Definitions” and “– Summary of Certain Provisions of the General Indenture – Certain Covenants – Rate Covenant.”

### **Bond Reserve Fund**

The Indenture establishes the Bond Reserve Fund to secure the payment of principal and interest on Bonds and provides that separate Bond Reserve Accounts may be created within the Bond Reserve Fund for any Series of Bonds. All amounts in each Bond Reserve Account are to be used and withdrawn by the Trustee solely for the purpose of paying debt service on the related Series of Bonds (including Payment Agreement Payments to the extent provided in any Supplemental Indenture) for which such Bond Reserve Account was established in the event of a deficiency in the Debt Service Fund, in the manner and to the extent set forth in the Indenture. So long as the Authority is not in default under the Indenture, any amount in any Bond Reserve Account in excess of its Bond Reserve Account Requirement is to be transferred to the Revenue Fund.

“**Bond Reserve Account Requirement**” is defined in the Indenture to mean, as of any particular date of calculation with respect to any Series of Bonds for which a Bond Reserve Account Requirement is established, an amount equal to the amount calculated for such date as specified by the Supplemental Indenture providing for the issuance of such Series of Bonds.

In connection with the issuance of Additional Bonds such as the 2024 Bonds, the Indenture permits the Authority to establish a Bond Reserve Account Requirement for such Series, if any, and if so established, whether the Bond Reserve Account Requirement will apply only to one Series or on a pooled basis.

Pursuant to the Supplemental Indenture providing for the issuance of the Authority’s 2013 Bonds (the “**Third Supplemental Indenture**”), the Authority established within the Bond Reserve Fund the 2013 Bond Reserve Account as a pooled reserve account to secure the payment of the Authority’s 2013 Bonds and any Additional Bonds designated as “**2013 Bond Reserve Account Bonds**” for purposes of the Indenture. The Bond Reserve Account Requirement for the 2013 Bonds and any Additional Bonds designated as 2013 Bond Reserve Account Bonds (the “**2013 Bond Reserve Account Requirement**”) is defined in the Third Supplemental Indenture to mean an amount equal to the lesser of (i) Maximum Annual Debt Service on all Outstanding 2013 Bond Reserve Account Bonds, (ii) one hundred and twenty-five percent (125%) of average Annual Debt Service on all Outstanding 2013 Bond Reserve Account Bonds or (iii) the Bond Reserve Account Requirement for the 2013 Bond Reserve Account Bonds in effect immediately prior to the issuance of the most recently issued Series of 2013 Bond Reserve Account Bonds, plus the Tax Maximum calculated with respect to such Series of 2013 Bond Reserve Account Bonds. For the avoidance of doubt, when calculating the Bond Reserve Account Requirement to apply immediately following the issuance of an additional Series of 2013 Bond Reserve Account Bonds, the amount described in clause (iii) above is to be calculated using the Bond Reserve Account Requirement for the 2013 Bond Reserve Account Bonds in effect immediately prior to such issuance, plus the Tax Maximum calculated with respect to such additional Series of 2013 Bond Reserve Account Bonds.

As defined in the Third Supplemental Indenture, “**Tax Maximum**” means, for any Series of Bonds, the lesser of: (i) maximum annual principal and interest required to be paid in any Fiscal Year on such Series; (ii) one hundred and twenty-five percent (125%) of average principal and interest required to be paid on such Series during all Fiscal Years in which such Series will be Outstanding; and (iii) ten percent (10%) of the principal amount of such Series (or ten percent (10%) of the issue price of the Series if the issue of Bonds of which the Series are a part is sold with more than a de minimis amount (2%) of original issue premium or discount).

Upon their initial issuance, the 2019 Series B Bonds, the 2021 Bonds and the 2023 Bonds were designated as 2013 Bond Reserve Account Bonds. The Seventh Supplemental Indenture designates the 2024 Bonds as 2013 Bond Reserve Account Bonds. Upon the issuance of the 2024 Bonds, the 2013 Bond Reserve Account Requirement will be approximately \$17,561,888.

The Bond Reserve Account for a Series of Additional Bonds is to be funded on the date of issuance of such Additional Bonds at the applicable Bond Reserve Account Requirement. The Indenture provides, however, that if the amount of the Bond Reserve Account Requirement for such Series of Additional Bonds is in excess of the

amount that may be deposited in the Bond Reserve Fund from the proceeds of such Additional Bonds consistent with Section 148 of the Code (or any applicable successor or similar provision), the Supplemental Indenture providing for the issuance of such Additional Bonds may provide that the amount needed in excess of the amount of proceeds available for such purpose be made up from Revenues deposited in scheduled monthly amounts over the period from the date of issuance of such Additional Bonds through the Interest Payment Date for such Additional Bonds next succeeding the projected Date of Beneficial Occupancy of any Project financed by such Additional Bonds.

If and to the extent provided by a Supplemental Indenture authorizing the issuance of a Series of Bonds, the Bond Reserve Account Requirement for such Series, if any, may be wholly or partially satisfied by a Credit Facility. Notwithstanding anything to the contrary contained in the Indenture, such Supplemental Indenture may also provide that if a drawing or other claim on such Credit Facility is honored, amounts available for deposit pursuant to the provisions of the Indenture relating to allocation of Revenues to the Bond Reserve Fund, in the applicable Bond Reserve Account will be applied by the Trustee to reimburse, as soon as practicable, the amount of each payment honoring such drawing or other claim.

See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE – Summary of Certain Provisions of the General Indenture – Funds and Accounts – Bond Reserve Accounts.”

### **Additional Bonds**

The General Indenture permits the Authority to issue Additional Bonds secured on a parity with the Bonds, including the 2024 Bonds, upon the satisfaction of the requirements set forth in the Indenture, including, among other things, the delivery to the Trustee of the following certificates:

(A) a certificate of the Authority (i) setting forth for the last complete Fiscal Year or any period of 12 consecutive calendar months out of the 18 calendar months next preceding the original issuance of such Series of Additional Bonds, the Revenues, Other Available Moneys, Net Revenues, uses of Revenues and Aggregate Annual Debt Service for such Fiscal Year or 12-month period, and (ii) demonstrating that for such Fiscal Year or 12-month period (I) Revenues at least equaled all transfers required to be made pursuant to the provisions of the Indenture described above under “– Flow of Funds” in categories (A) through (F), and (II) the sum of Net Revenues plus Other Available Moneys equaled at least 1.25 times Aggregate Annual Debt Service;

(B) a certificate of the Authority setting forth (i) the projected Date of Beneficial Occupancy for the Project or Projects for which such Series of Additional Bonds is being issued and for any other uncompleted Projects, and (ii) an estimate of the cost of construction of such Projects;

(C) a written report of an Airport Consultant setting forth for each Fiscal Year from the then current Fiscal Year through the later of (I) the first Fiscal Year commencing at least five years after the date of original issuance of such Series of Additional Bonds, or (II) the first Fiscal Year commencing at least three years after the Date of Beneficial Occupancy projected by the Consulting Engineer, estimates of Revenues, Operation and Maintenance Expenses, Other Available Moneys and Net Revenues; and

(D) a certificate of the Authority (i) setting forth (a) the estimates of Revenues, Operation and Maintenance Expenses, Other Available Moneys and Net Revenues, as set forth in the written report of an Airport Consultant described in subparagraph (C) above, for each of the Fiscal Years covered by such report, and (b) the Aggregate Annual Debt Service and Capitalized Interest for each of such Fiscal Years, including Annual Debt Service and Capitalized Interest on all future Series of Bonds, if any, which such certificate of the Authority estimates (based on the estimate of the Consulting Engineer of the cost of construction of such Projects) are required to complete payment of the cost of construction of such Projects, and (ii) demonstrating that for each of such Fiscal Years (a) Revenues are projected to be at least equal to all transfers required to be made pursuant to the provisions of the Indenture described above under “–Allocation of Revenues” in categories (A) through (F), and (b) Net Revenues plus Other Available Moneys are projected to be at least equal to 1.25 times Aggregate Annual Debt Service.

The General Indenture also provides that a Series of Additional Bonds may be issued for the sole purpose of depositing in a Construction Account the amounts necessary to complete any one or more Projects without filing with the Trustee the certificate and report described in subparagraphs (C) and (D) if such certificate and report were filed in connection with the issuance of the prior Series of Additional Bonds for each of such Projects and if the principal amount of such Bonds to be issued for completion purposes does not exceed ten percent (10%) of the principal amount of Bonds previously issued for and allocable to such Projects.

In lieu of the certificates and reports described in subparagraphs (B), (C) and (D) above, the Authority may deliver to the Trustee a Certificate of the Authority to the effect that for the last complete Fiscal Year or any period of 12 consecutive calendar months out of the 18 calendar months next preceding the original issuance of such Series of Additional Bonds, Net Revenues plus Other Available Moneys for such Fiscal Year or 12-month period equaled at least 1.25 times the Maximum Annual Debt Service on all Bonds then Outstanding plus the Series of Bonds being issued.

In addition, the General Indenture provides that if and to the extent a Series of Additional Bonds is being issued for the purpose of refunding outstanding Bonds, the Authority is required to file with the Trustee either (i) a certificate of an Independent Certified Public Accountant that Aggregate Annual Debt Service for each Fiscal Year thereafter will be less than or equal to Aggregate Annual Debt Service for each such Fiscal Year in the absence of such refunding, or (ii) the certificates and reports described in subparagraphs (A), (B) (if any one or more of the Projects for which the Bonds being refunded is not then completed), (C) and (D) above; provided that in lieu of the certificates and reports described in subparagraphs (B), (C) and (D), the Authority may deliver to the Trustee the certificate described in the immediately preceding paragraph.

The General Indenture also provides that the foregoing requirements shall not apply to the issuance of one or more series of Additional Bonds if, not later than the issuance and delivery of such Additional Bonds, the Authority delivers a certificate to the Trustee stating that (i) on and as of such date, such Bonds are the only Bonds Outstanding under the Indenture, and (ii) no Parity Payment Agreements are then in effect. Such Additional Bonds shall be designated as “initial Bonds” in the related Supplemental Indenture. The 2013 Bonds were designated as “initial Bonds” under the Third Supplemental Indenture.

See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE – Summary of Certain Provisions of the General Indenture – Issuance of Additional Series of Bonds; Additional Parity Payment Agreements; Other Payment Agreements.”

### **Parity Payment Agreements**

The Authority is permitted under the General Indenture to enter into one or more Parity Payment Agreements, the Authority payment of which are secured by a lien upon and pledge of Revenues equal to and on a parity with the lien and pledge securing the Bonds, provided the Authority complies with certain provisions of the Indenture. The Authority is not a party to any Parity Payment Agreements, nor does the Authority have any plan to enter into any Parity Payment Agreements.

See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE – Summary of Certain Provisions of the General Indenture – Issuance of Additional Series of Bonds; Additional Parity Payment Agreements; Other Payment Agreements.”

### **Subordinate Obligations**

The Indenture does not prevent the Authority from issuing or incurring, and the Authority does not currently have, any additional indebtedness with a lien or charge on Revenues that is junior and subordinate to the lien and charge of the Bonds.

## **Special Facility Bonds**

The Authority is permitted under the Indenture to enter into contracts, leases, subleases or other agreements pursuant to which the Authority agrees to construct a “Special Facility” on land constituting part of the Airport or agrees to acquire or construct a Special Facility on land not then constituting part of the Airport, or to acquire and remodel, renovate or rehabilitate a building, structure or other facility (including the site thereof) for a Special Facility, to issue Special Facility Bonds to finance such Special Facilities and to lease such Special Facility, subject to certain conditions set forth in the Indenture. Under certain circumstances, the rentals and other income generated from such Special Facilities may not constitute Revenues under the Indenture and may not be available to pay debt service on the Bonds, including the 2024 Bonds. The Authority does not have any Special Facility Bonds outstanding, nor does it have any current plans to issue Special Facility Bonds. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE – Summary of Certain Provisions of the General Indenture – Certain Covenants – Special Facility Bonds and Special Facility Leases.”

## **Other Covenants**

The Authority has made certain other covenants in the Indenture with respect to the Airport. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE – Summary of Certain Provisions of the General Indenture – Certain Covenants.”

## **Events of Default and Remedies; No Acceleration**

The Indenture specifies a number of Events of Default and related remedies. The remedies granted to the Trustee and the Bondowners under the Indenture do not include any right to accelerate the payment of the Bonds, including the 2024 Bonds. The Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the rights of the Bondowners. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE – Summary of Certain Provisions of the General Indenture – Events of Default and Remedies of Bondowners for descriptions of the Events of Default and remedies under the Indenture.”

## **Depositaries for Funds and Accounts**

The Co-Trustee has been appointed to act as Depositary for the Debt Service Fund and the Bond Reserve Fund and for any accounts and subaccounts therein. The Trustee has been appointed as Depositary for the Revenue Fund, the Operation and Maintenance Fund, the Subordinate Securities Fund, the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, the Capital Improvement Fund and the Rebate Fund and for any accounts and subaccounts therein. The Authority may enter into a Supplemental Indenture from time to time to provide for a different or additional Depositary for any fund or account established under the Indenture. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE – Summary of Certain Provisions of the General Indenture – The Fiduciaries.”

## **Investments of Moneys in Funds and Accounts**

Subject to the requirements and restrictions set forth in the Indenture, moneys in the Revenue Fund, the Operation and Maintenance Fund, the Subordinate Securities Fund, the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund and the Capital Improvement Fund may be invested in any investment designated by the Authority, and moneys in the Construction Accounts, the Rebate Fund, the Debt Service Fund and the Bond Reserve Accounts are required to be invested solely in Investment Securities to maximize investment income (with proper regard for the preservation of principal) as requested by the Authority; provided, however, moneys in the Revenue Fund and in the Bond Reserve Fund are required to be invested in Investment Securities having at least an investment grade rating from the Rating Agency or Rating Agencies designated under the Indenture or any Supplemental Indenture and rating the Bonds. All investments are to pay interest and mature not later than the dates on which it is estimated that such moneys will be required by the Trustee, the Co-Trustee, the applicable Depositary or the Authority.

All interest and other profit derived from investments of amounts in the Construction Accounts, the Capital Improvement Fund and the Rebate Fund are to be retained in such Funds and Accounts, all interest and other profit derived from investments of amounts in the Bond Reserve Accounts are to be applied as described above under “— Bond Reserve Fund,” and all interest and other profit derived from investments of amounts held in any other Funds and Accounts are to be deposited to the Revenue Fund when received.

See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE – Summary of Certain Provisions of the General Indenture – Investment of Moneys in Funds.”

### DEBT SERVICE SCHEDULE

The following table sets forth the debt service schedule for the 2024 Bonds and the Prior Bonds, not including the Purchased Bonds. See “PLAN OF REFUNDING.”

**Table 1**  
**A.B. Won Pat International Airport, Guam**  
**Annual Debt Service**

Calendar Year	Prior Bonds <sup>(1)</sup>		2024A Bonds		2024B Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2025	\$ 7,395,000	\$ 4,755,993	--	\$ 2,363,900	--	\$ 1,009,067	\$ 15,523,959
2026	10,630,000	4,565,189	--	2,417,625	--	1,032,000	18,644,814
2027	9,570,000	4,272,418	\$ 935,000	2,417,625	\$ 410,000	1,032,000	18,637,043
2028	8,720,000	3,989,416	1,775,000	2,370,875	780,000	1,011,500	18,646,791
2029	5,430,000	3,676,126	4,380,000	2,282,125	1,910,000	972,500	18,650,751
2030	7,800,000	3,417,122	3,140,000	2,063,125	1,360,000	877,000	18,657,247
2031	8,525,000	3,072,883	3,035,000	1,906,125	1,310,000	809,000	18,658,008
2032	4,285,000	2,694,176	6,425,000	1,754,375	2,755,000	743,500	18,657,051
2033	4,310,000	2,526,602	2,110,000	1,433,125	905,000	605,750	11,890,477
2034	4,205,000	2,316,598	1,720,000	1,327,625	735,000	560,500	10,864,723
2035	3,800,000	2,115,945	2,210,000	1,241,625	970,000	523,750	10,861,320
2036	6,515,000	1,937,045	565,000	1,125,600	250,000	475,250	10,867,895
2037	2,815,000	1,601,075	3,400,000	1,095,938	1,495,000	462,750	10,869,763
2038	2,940,000	1,474,474	3,575,000	917,438	1,575,000	388,000	10,869,911
2039	3,065,000	1,342,252	3,755,000	729,750	1,665,000	309,250	10,866,252
2040	6,235,000	1,204,409	1,845,000	532,613	820,000	226,000	10,863,022
2041	3,335,000	882,728	4,170,000	435,750	1,860,000	185,000	10,868,478
2042	6,915,000	733,118	2,015,000	216,825	895,000	92,000	10,866,943
2043	7,270,000	375,757	2,115,000	111,038	945,000	47,250	10,864,044
Total <sup>(2)</sup>	\$113,760,000	\$46,953,325	\$47,170,000	\$26,743,100	\$20,640,000	\$11,362,067	\$266,628,492

<sup>(1)</sup> Does not include debt service for Purchased Bonds. See “PLAN OF REFUNDING.”

<sup>(2)</sup> Totals may not add due to rounding.

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## THE AUTHORITY

### General

The Authority is organized and exists under Chapter 1 of Title 12 of the Guam Code Annotated and is a public corporation and an autonomous instrumentality of the Government of Guam with authority to acquire, construct, reconstruct, purchase, extend, improve, better, operate and maintain airports and related facilities for civil aviation purposes on Guam. The Authority owns and operates the Airport and is the only commercial airport operator in Guam licensed by the FAA.

### Termination of Joint Use Agreement and Transfer of the Naval Air Station, Agana

On July 19, 1974, the Authority was granted use of the airfield under a Joint Use Agreement (the “**JUA**”) with the U.S. Navy. The JUA granted the Authority use of the runways and other airfield areas for commercial aircraft activities. In addition, the JUA conveyed 68 acres of federal property that allowed for large scale improvement of Guam’s only commercial airport and entitled the Authority to receive grants and funds for airport improvements from the FAA and other federal agencies. After the Naval Air Station (the “**Naval Air Station**”) was disestablished on March 31, 1995, the Authority assumed full responsibility for the airfield, which was certified by the FAA on April 1, 1995.

In September 2000, the Authority received the deed to 1,417 acres on the former Naval Air Station, currently referred to as Tiyan, through a Public Benefit Transfer (the “**Public Benefit Transfer**”) conveyance from the federal government, which effectively terminated the JUA and transferred all ownership, responsibilities and liabilities of the identified parcels of land to the Authority. The Public Benefit Transfer included areas that contained former enlisted housing units located on the northern side of Tiyan, and properties located on the southern side that are primarily aviation related structures such as hangars, machine shops, maintenance facilities, warehouses and storage areas. These areas were deemed necessary for “further airport development” and identified for Airport use due to its land use compatibility.

### Governance

Except as otherwise provided in the Act, all powers vested in the Authority are exercised by its Board of Directors (the “**Board of Directors**”). The Board of Directors consists of seven members nominated and appointed by the Governor of Guam, subject to confirmation by the Guam Legislature. Each Director serves for a term of three years from the expiration of the term for which such Director’s predecessor was appointed and until a successor is appointed and qualified, or, in the case of a newly created position on the Board of Directors, for a term of three years from the date of the initial appointment and until a successor is appointed and qualified. Four members constitute a quorum, and the Board of Directors meets publicly at least once a month. The Board of Directors elects a chairman and vice chairman from among its members. The Board of Directors establishes the policies of the Authority and appoints the Executive Manager and Comptroller.

### Airport Management

The Executive Manager, assisted by the Deputy Executive Manager, is responsible for the day-to-day management and operation of the Airport. The managers of the various Airport divisions, including Administration, Accounting, Operations, Property Management Office, Aircraft Rescue and Firefighting, Airport Police, Properties and Facilities, and Engineering, are directed by the Executive Manager in the management and operation of the Authority.

The current Executive Manager and Deputy Executive Manager are John M. Quinata and Artemio Hernandez, respectively. The Comptroller is Dafne Mansapit-Shimizu.

Below are brief biographies of key management personnel at the Authority:

***John M. Quinata, Executive Manager.*** Mr. Quinata was appointed the Executive Manager of the Authority on June 26, 2020, promoted from the GIAA Deputy Executive Manager position, a capacity he had held since April 30, 2019. Mr. Quinata's record of management spans the full spectrum of public service as an elected lawmaker in the 27th Guam Legislature with oversight of the Committee on Tourism, Public Safety and the Judiciary, Director for the Guam Customs and Quarantine Agency, and a military career of 38 years that includes Chief of Administration, 1st Combat Evaluation Group, Strategic Air Command with the Guam Air National Guard, and Security Forces Manager, 254 Security Forces Squadron. Mr. Quinata retired in the U.S. Air Force and Guam National Guard at the distinguished rank of E9 as the Sixth State Command Chief Master Sergeant and is the first enlisted Guam National Guardsman to have received the distinguished Air Force Legion of Merit Award.

***Artemio "Ricky" Hernandez, Ph.D., Deputy Executive Manager.*** Dr. Hernandez was selected as the Deputy Executive Manager of the Authority on June 26, 2020. Dr. Hernandez brings over a decade in government service in the fields of budget, accounting, finance and administration as former Deputy Administrator at the Guam Economic Development Authority, former Interim Deputy Director at the Department of Public Works, and former and longest serving Director of the Guam Legislature Office of Finance and Budget. He is also an Adjunct Instructor of Accounting and Public Administration at the University of Guam. He is Guam's first International Airport Professional having completed the Airports Council International and International Civil Aviation Authority Airport Management Professional Accreditation Program in 2021. He is also a Certified Government Financial Manager, a Certified Public Procurement Officer, and an Accredited Investment Fiduciary. Dr. Hernandez holds Bachelor's and Master's Degrees in Accounting and a Ph.D. in Business. He currently serves as Treasurer and Chairman of the Investments Committee of the Government of Guam Retirement Fund Board of Trustees, Member of the Board of Directors for the Research Corporation of the University of Guam, and Treasurer of the Guam Commission on Lawyer Regulation.

***Dafne Mansapit-Shimizu, Comptroller.*** Mrs. Shimizu joined the Authority as Comptroller in November 2023. She previously served as the Director of the Guam Department of Revenue and Taxation for approximately five years. She earned both a Bachelor of Business Administration in Accounting and a Master of Public Administration from the University of Guam and has been a Guam licensed U.S. Certified Public Accountant since 2000. She has almost 30 years of experience in accounting and finance, including experience in the health insurance industry as Controller and Vice President/Finance – Chief Financial Officer of StayWell Insurance. Mrs. Shimizu is a member of the Association of Government Accountants, the Agana Cathedral Basilica Finance Council, and the Agana Cathedral Chapter of Christian Mothers. She has served on the boards of Catholic Social Services, the Guam Board of Accountancy and Soroptimist International of the Marianas.

### **Labor and Employee Relations**

The Authority had approximately 222 full-time employees for Fiscal Year 2023, and currently has approximately 237 full-time employees as of June 30, 2024. The Authority's employees are not represented by labor unions. The Authority's management believes that relations with its employees are positive.

In the next three- to five-years, approximately 10-20% of the Authority's employees will become eligible for retirement. With the aviation industry experiencing substantial growth and the need to expand operations, the Authority is focused on building and retaining a pipeline of professional and skilled workers to provide quality service at the Airport. The Authority's strategic management process includes workforce development initiatives, such as providing aviation certification and training, workshops and seminars, as well as succession planning initiatives. Such initiatives are intended to mitigate risks associated with employee turnover and to cultivate personnel to meet future organizational needs.

A market study of U.S. airport industry salaries in comparison to the Authority's 2012 pay scale was completed in 2022. Based on the report and in order to remain competitive in attracting and retaining employees, the Authority approved a structural pay adjustment and implementation at the 20<sup>th</sup> market percentile based on the 2022 market data for all positions on or after October 1, 2023, subject to certain additional requirements.

## THE AIRPORT

### General

The Airport is centrally located in Guam's business district on an 1,800-acre parcel of land. The Airport has approximately 874,000 square feet of terminal space, along with approximately 250,000 square feet of adjacent facilities, including hangars, maintenance facilities, warehouse space, storage facilities, office space and expansive ground space. The Airport is the only commercial air carrier airport serving Guam and is the principal air carrier airport serving the surrounding Micronesian islands. The Airport is classified as a small air traffic hub, based on annual enplaned passenger levels, by the FAA.

### Airport Facilities

**Passenger Terminal Building.** The original passenger terminal building opened on January 19, 1982, with a design capacity of 750,000 enplaned passengers. In 1998, the Authority completed a \$241 million expansion, renovating and expanding the original passenger terminal building from approximately 226,000 square feet to approximately 767,553 square feet. In April 2022, the Authority completed a \$135 million construction of the Third Floor International Arrivals Corridor, expanding the passenger terminal building to a total of 874,870 square feet. The existing passenger terminal building currently consists of 88 ticket counter positions (54 of which are common-use counters that are currently on-line; 22 of which are used exclusively by United Airlines (as defined herein), the Airport's largest air carrier; and 12 of which are common-use counters that are currently off-line), 48 immigration inspection stations, 42 customs inspection stations that provide enough capacity to process 5,000 international passengers per hour and one Transportation Security Administration ("TSA") checkpoint with seven security lanes.

The existing terminal is currently divided into four levels: (i) the basement level, which includes arrival facilities, ground transportation services, baggage claim and customs inspection areas; (ii) the ground level, which includes a departure lobby, ticket counters and a baggage screening system; (iii) the concourse level, which includes a security screening checkpoint area used by the TSA, specialty retail concessions, food court areas, passenger lounges, passenger gates, terminal seating areas and loading bridges; and (iv) the Third Floor International Arrivals Corridor, which includes federal inspection services areas that allow international passengers to clear immigration and customs processes.

**Airfield.** The airfield consists of two sets of parallel runways, associated taxiways and navigational aids. The Airport's primary runway, Runway 6L/24R, is 12,000 feet long, and allows the Airport to accommodate departures and arrivals of long-haul flights between the U.S. mainland and Guam. The Airport's secondary runway, Runway 6R/24L, is 10,014 feet long.

**Gates.** The Airport has 21 aircraft parking positions, each of which has an in-ground hydrant fueling pit linking it to the Airport's fueling system and the aircraft fuel storage facility located on the Authority's property. Of these 21 apron positions, 18 are adjacent to the passenger terminal building and three are located west of the passenger terminal building, adjacent to the light commuter aircraft inter-island passenger terminal. The apron positions adjacent to the passenger terminal building are accessed by 18 common use terminal gates, 17 of which are served by passenger loading bridges and one of which is used as a "Bus Gate" for aircraft requiring the use of hard stands for passenger loading. Of these 18 gates, 12 can accommodate most wide-body aircrafts. The three aircraft parking positions near the light aircraft commuter terminal are used mainly for air cargo operations and can accommodate most wide-body aircrafts.

**Airport Access.** Ground access to the Airport is currently provided by Route 10-A (the "Airport Access Road") from both Route 1, also known as Marine Corps Drive, and Route 16, also known as Army Drive. The Airport Access Road connects directly to a terminal loop roadway system consisting of an upper level roadway providing access to the upper level departures curbside located adjacent to the ticketing lobby and a lower level roadway providing access to the lower level arrivals curbside located on the baggage claim level, as well as to the entrances of the public and employee parking lots and the tour bus, limousine, taxi and rental car parking and ready/return areas.

***Airport Parking.*** The lower level terminal parking area, located across from the passenger terminal building on the lower arrivals level and directly accessible from the passenger terminal through an arcade below the frontal road, has 310 public parking spaces and 508 employee parking spaces. The parking area to the east of the passenger terminal building is comprised primarily of parking for tour buses and rental car parking and ready/return areas. The parking area to the west of the passenger terminal facility is comprised primarily of employee parking (278 spaces) and parking for special reserve and tenants (73 spaces). The public parking and commercial parking lots adjacent to the passenger terminal facility are operated and managed on behalf of the Authority by PacAir, Ltd. pursuant to a concession agreement. See “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Non-Passenger Terminal Building Concessions and Revenue Arrangements – *Parking.*” In addition to the parking facilities located adjacent to the passenger terminal building, there is additional employee, airport tenant, passenger and commercial vehicle parking adjacent to the commuter terminal building and in the cargo area.

***Adjacent Facilities.*** Facilities adjacent to the passenger terminal include the Light Aircraft Commuter Facility Building which includes the light aircraft commuter terminal facility and warehouse and office space for air cargo operators. The original terminal that was built in 1967 and consisted of 8,000 square feet, is home to United Airlines Guam Corporate Headquarters and Ground Operations.

***Tiyan Business Park.*** The Authority has also developed the Tiyan Business Park to provide additional service from the Airport and to generate additional revenue. The Tiyan Business Park is located to the west of the passenger terminal on a section of property bounded by the security fencing along the Airport operations area and East Sunset Boulevard on the former Naval Air Station property deeded to the Authority pursuant to the Public Benefit Transfer. See “THE AUTHORITY – Termination of Joint Use Agreement and Transfer of the Naval Air Station, Agana.”

The Tiyan Business Park was developed by the Airport primarily through public-private partnerships with PacAir Properties, LLC (“**PacAir Properties**”), DHL Corporation (“**DHL**”), Triple B Forwarders (“**Triple B**”) and CTSI Logistics Guam (“**CTSI**”). The Tiyan Business Park includes the PacAir Integrated Air Cargo Terminal (the “**PacAir Integrated Air Cargo Terminal**”), the DHL Cargo Terminal (the “**DHL Cargo Terminal**”), the Triple B Forwarders Building (the “**Triple B Forwarders Building**”) and the CTSI Freight Forwarding Terminal (the “**CTSI Freight Forwarding Terminal**”). The PacAir Integrated Air Cargo Terminal has direct access to the Airport operations area for air cargo operators and for Guam customs inspections, although there are currently no adjoining aircraft aprons or aircraft cargo stands. The PacAir Integrated Air Cargo Terminal (consisting of approximately 130,000 square feet of warehouse space and approximately 30,000 square feet of office space and covering approximately 500,000 square feet of land area) is centrally located and used by public, private and government entities for their various missions and business needs such as air cargo and import/export processing. The DHL Cargo Terminal (consisting of approximately 7,551 square feet) is used solely by DHL for express package services. The Triple B Forwarders Building (consisting of approximately 17,500 square feet for cargo handling and approximately 4,500 square feet of office space and covering approximately 33,000 square feet of land area) is currently used for intermodal operations. The CTSI Freight Forwarding Terminal (consisting of approximately 27,000 square feet) is used primarily by CTSI for distribution of its own products. See “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Other Agreements for Airport Facilities – *Tiyan Business Park.*”

***Airport Industrial Park.*** The Airport Industrial Park is located to the east of the passenger terminal on approximately 24 acres of Authority property. The Authority originally developed the Airport Industrial Park in the mid-1980s with sub-divided lots with service roads and utility access in preparation for future development. Although the Airport Industrial Park is located on property owned by the Authority, not all of the businesses operating in the Airport Industrial Park are directly related to Airport operations. The Airport Industrial Park currently has three tenants operating pursuant to various ground leases, including a gas station and convenience store, a restaurant and a cargo warehouse facility. See “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Other Agreements for Airport Facilities – *Airport Industrial Park.*” The fuel farm for the Airport fuel system and the water reservoir for the Airport water system are also located in the Airport Industrial Park.

***Other Facilities.*** Other facilities at the Airport include aircraft hangars, warehouse and storage areas, aviation-services related offices and administrative buildings. The Authority also owns significant land outside the terminal and cargo buildings available for further development or disposition.

For a discussion regarding notable projects that are underway or in the planning stages, see “AIRPORT PLANNING – Capital Improvement Plan.”

The following map shows the current Airport layout plan, most recently approved by the FAA in October 2017. The Authority has completed a final draft of the airport master plan update, which is currently pending review and approval of an updated airport layout plan by the FAA. See also “AIRPORT PLANNING – Master Plan Update.”

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## Air Carriers Serving the Airport

The following table sets forth the air carriers that have provided service at the Airport during the first nine months of Fiscal Year 2024. In addition to the air carriers listed below, other charter flights, including military charter flights operated by various airline carriers, also serve the Airport.

**Table 2**  
**Air Carriers Serving A.B. Won Pat International Airport, Guam**  
**First Nine Months of Fiscal Year 2024<sup>(1)</sup>**

<u><b>U.S.-Flag Airlines</b></u>	<u><b>Foreign-Flag Airlines</b></u>
United Airlines*	Asiana Airlines
	Japan Airlines*
	Jeju Air*
	Jin Air*
	Korean Air*
	Philippine Airlines*
	T'Way Air*
	Starlux Airlines
<u><b>Regional/Commuter Airlines</b></u>	
Star Marianas Airlines	
<u><b>Cargo Airlines</b></u>	
Asia Pacific Airlines	
FedEx Corporation	
United Parcel Service (UPS)	

\* Indicates a Signatory Airline. See “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Airline Operating Agreements.”

<sup>(1)</sup> Includes all airlines that served the Airport at any time during the first nine months of Fiscal Year 2024.

Source: *The Authority*.

In November 2020, Korean Air announced plans to acquire Asiana Airlines. This proposed merger remains subject to regulatory approval and other conditions and the Authority cannot predict what impact such merger will have on airline traffic at the Airport. Air Busan and Air Seoul, which are subsidiaries of Asiana Airlines, remain Signatory Airlines (as defined herein) but suspended services in November 2022. In addition, China Airlines remains a Signatory Airline but suspended services in February 2020. See “CERTAIN INVESTMENT CONSIDERATIONS – Financial Condition of the Airlines.”

## Aviation Activity

### *Typhoon Mawar*

On May 24, 2023, Typhoon Mawar struck Guam with winds exceeding 140 miles per hour. The Airport’s terminal and passenger processing technical systems were affected by water infiltration on all floors of the terminal, and the Authority closed all Airport operations on May 24, 2023. In cooperation with the FAA, the Airport’s partner airlines, and federal and local regulatory agencies, the Airport opened for humanitarian and essential cargo operations three days later, on May 27, 2023. Cargo flights transported military relief personnel, equipment, and essential cargo. The Airport opened for regular flight operations on May 29, 2023. Although visitor arrivals declined to approximately 17,310 in June 2023, as compared to approximately 55,354 in April 2023, visitor arrivals recovered to approximately 52,154 in July 2023. Despite the impacts of Typhoon Mawar, enplaned passengers continued to recover from the impacts of the COVID-19 pandemic in Fiscal Year 2023, increasing by 111% compared to Fiscal Year 2022.

Facility-wide damage assessment of the entire Airport, including leased facilities, is ongoing. The typhoon caused damage primarily to the terminal flooring, passenger loading bridges, baggage handling and passenger conveyance systems and air handling units. As of June 2024, preliminary damage assessments are estimated at approximately \$10-15 million. The Authority is consulting with the Federal Emergency Management Agency (“FEMA”) and the FAA for federal assistance following completion of such preliminary damage assessments. Repairs to damaged infrastructure necessary for maintaining security and safety standards at the Airport have been completed. Although the Authority anticipates that efforts to permanently repair remaining damaged infrastructure

will take an extended period of time, such efforts are expected to have minimal disruptions to Airport operations, which have fully resumed.

The Authority maintains a property insurance policy for all risks with coverage up to \$200,000,000, including, among others, coverage up to \$5,000,000 for damage resulting from windstorms, typhoons, or earthquakes, after a \$5,000,000 deductible. The property insurance also includes coverage for business interruption at the Airport resulting from a covered event, such as a typhoon, and with a 72-hour waiting period. For more information regarding the Airport’s insurance, see “FINANCIAL INFORMATION – Risk Management and Insurance.”

Furthermore, in connection with the permanent repair efforts relating to Typhoon Mawar, the Authority is actively pursuing federal funding to secure approximately \$30 million dedicated to hazard mitigation projects aimed at increasing storm resiliency, enhancing public safety, and minimizing potential damage to airport infrastructure. Such projects include but are not limited to hardening terminal flooring, reducing penetration points to minimize water infiltration, hardening fence lines from steel to concrete posts.

See also “CERTAIN INVESTMENT CONSIDERATIONS – Typhoons, Earthquakes and Other Natural Disasters” in the Official Statement and “APPENDIX A – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – Typhoon Mawar and Guam Restoration Efforts” and “– GEOGRAPHIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Geography and Climate.”

### ***Historical Passenger Activity***

The following table presents originating and transit passengers at the Airport from Fiscal Year 2013 through Fiscal Year 2023. Originating passengers are either Guam residents traveling abroad or visitors to Guam returning to their country of origin. Transit passengers are passengers transferring from one flight to another in Guam or arriving in and departing from Guam on the same journey. Prior to the COVID-19 pandemic, total enplaned passengers at the Airport had increased at an average annual rate of 1.8% between Fiscal Years 2013-2019.

Total enplaned passengers for the first nine months of Fiscal Year 2024 (October 2023 – June 2024) were approximately 796,213, an increase of approximately 25.4% from total enplaned passengers for the same period in Fiscal Year 2023.

Originating Passengers. Between Fiscal Years 2013-2019, prior to the COVID-19 pandemic, total originating passengers increased at an average annual rate of 2.4%. Most of the increase in originating passengers was attributable to the increasing number of tourists, primarily from Japan, China, South Korea and Taiwan. Total originating passengers fell to a low of 101,696 in Fiscal Year 2021 due to the impacts of the COVID-19 pandemic, and are slowly recovering. Total originating passengers are 701,480 for the first nine months of Fiscal Year 2024 (September 2023 – June 2024).

Transit Passengers. As shown in the following table, the total number of transit passengers processed annually through the Airport has fluctuated over the last 10 fiscal years, peaking in Fiscal Year 2015 and then decreasing thereafter at an average annual rate of 6.5% from Fiscal Year 2015 to Fiscal Year 2019, prior to the COVID-19 pandemic. Total transit passengers fell to a low of 33,870 in Fiscal Year 2021 due to the impacts of the COVID-19 pandemic, and are slowly recovering. Total transit passengers are 94,733 for the first nine months of Fiscal Year 2024 (September 2023 – June 2024).

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**Table 3**  
**Historical Enplaned Passengers**  
**A.B. Won Pat International Airport, Guam**  
**Fiscal Years 2013-2023**

<b>Fiscal Year</b>	<b>Originating Passengers</b>	<b>Transit Passengers</b>	<b>Total Enplaned Passengers</b>	<b>Originating Passengers as % of Total Enplaned Passengers</b>	<b>Transit Passenger as a % of Total Enplaned Passengers</b>	<b>Annual % Increase/ (Decrease) in Originating Passengers</b>	<b>Annual % Increase/ (Decrease) in Transit Passengers</b>	<b>Annual % Increase/ (Decrease) in Total Enplaned Passengers</b>
2013	1,498,419	199,567	1,697,986	88.2%	11.8%	6.5%	19.3%	7.8%
2014	1,480,349	210,551	1,690,900	87.5	12.5	(1.2)	5.5	(0.4)
2015	1,476,574	216,369	1,692,943	87.2	12.8	(0.2)	2.8	0.1
2016	1,559,141	215,449	1,774,590	87.9	12.1	5.6	(0.4)	4.8
2017	1,660,548	197,831	1,858,379	89.4	10.6	6.5	(8.2)	4.7
2018	1,596,054	184,518	1,780,572	89.6	10.4	(3.9)	(6.7)	(4.2)
2019	1,720,562	164,546	1,885,108	91.3	8.7	7.8	(10.8)	5.9
2020	783,532	100,528	884,060	88.6	11.4	(54.5)	(38.9)	(53.1)
2021	101,696	33,870	135,566	75.0	25.0	(87.0)	(66.3)	(84.7)
2022	329,193	89,041	418,234	78.7	21.3	223.7	162.9	208.5
2023	735,429	147,235	882,664	83.3	16.7	123.4	65.4	111.0

*Source: The Authority.*

Key Visitor Markets. According to Guam Visitors Bureau, in calendar year 2021 (most recent data available as of the date of this Official Statement), tourism generated approximately 6.0% of Guam’s Gross Island Product and supported approximately 21% of all jobs on Guam. By contrast, in calendar year 2019 (pre-pandemic), tourism generated approximately 33.0% of Guam’s Gross Island Product and supported approximately 31.2% of all jobs on Guam.

The following table presents the annual number of visitors to Guam for Fiscal Years 2013 through 2023. Guam had significant increases in visitors in Fiscal Year 2016, due in part to increased seat capacity from certain South Korean airlines and the island hosting the Festival of Pacific Arts and Culture, a celebration of indigenous Pacific Islanders, and in Fiscal Year 2019, due in part to increased seat capacity from certain Japanese airlines. The highest number of annual visitors to Guam on record was in Fiscal Year 2019, with approximately 1.6 million visitors.

Arrivals for Fiscal Years 2020 and 2021 declined substantially, primarily because of the COVID-19 pandemic, and slowly began to recover in Fiscal Years 2022 and 2023. The number of visitors in Fiscal Year 2023 was also impacted by Typhoon Mawar. See “THE AIRPORT – Aviation Activity – *Typhoon Mawar.*” For the first eight months of Fiscal Year 2024, arrivals were 412,046, up 26.7% from the corresponding period in Fiscal Year 2023. See also Tables A-6 and A-7 in APPENDIX A.

**Table 4**  
**Annual Visitors to Guam**  
**Fiscal Years 2013-2023**

<b>Fiscal Year</b>	<b>Visitor Arrivals</b>	<b>Percent Increase (Decrease)</b>
2013	1,337,669	--
2014	1,341,171	0.3%
2015	1,372,531	2.3
2016	1,511,065	10.1
2017	1,559,487	3.2
2018	1,525,219	(2.2)
2019	1,631,049	6.9
2020	757,385	(53.6)
2021	61,607	(91.9)
2022	216,915	252.1
2023	602,594	177.8

*Source: Guam Visitors Bureau.*

Table 5 presents visitor arrivals to Guam by country for Fiscal Years 2019 through 2023 and the first eight months of Fiscal Year 2024. Table 6 presents the percentage change in annual visitors to Guam by country for Fiscal Years 2019 through 2023. Although Guam receives visitors from many countries, Guam’s top four visitor markets have typically included Japan, South Korea, U.S. Mainland/Hawaii and Taiwan. Market shares fluctuated during Fiscal Years 2020 through 2022 due to the COVID-19 pandemic and travel restrictions in key Asian visitor markets. Guam Visitors Bureau is continuing its efforts to further diversify Guam’s visitor base. See also Tables A-8 and A-9 in APPENDIX A.

**Table 5**  
**Visitor Arrivals by Country**  
**Fiscal Years 2019-2023 and First Eight Months of Fiscal Year 2024**

	2019		2020		2021		2022		2023		2024 <sup>(1)</sup>	
	Arrivals	Percent of Total	Arrivals	Percent of Total	Arrivals	Percent of Total	Arrivals	Percent of Total	Arrivals	Percent of Total	Arrivals	Percent of Total
Japan	664,784	40.76%	324,574	42.85%	3,454	5.61%	13,022	6.00%	97,823	16.23%	136,079	26.06%
South Korea	734,339	45.02	325,109	42.93	2,063	3.35	108,454	50.00	358,570	59.50	281,709	53.95
U.S.Mainland/Hawaii	94,141	5.77	48,263	6.37	41,239	66.94	64,572	29.77	82,794	13.74	57,014	10.92
Taiwan	28,346	1.74	10,691	1.41	2,253	3.66	423	0.20	5,371	0.89	1,999	0.38
China P.R.C.	12,588	0.77	4,287	0.57	124	0.20	416	0.19	2,025	0.34	3,074	0.59
CNMI	22,566	1.38	10,318	1.36	3,178	5.16	12,625	5.82	14,383	2.39	7,791	1.49
Micronesia <sup>(2)</sup>	19,788	1.21	9,858	1.30	2,849	4.62	5,290	2.44	15,903	2.64	10,913	2.09
Philippines	20,708	1.27	9,344	1.23	2,262	3.67	6,230	2.87	13,593	2.26	8,965	1.72
Australia	2,250	0.14	1,297	0.17	360	0.58	1,079	0.50	1,253	0.21	888	0.17
Europe	2,340	0.14	1,116	0.15	697	1.13	826	0.38	1,485	0.25	1,218	0.23
Hong Kong	6,395	0.39	1,226	0.16	31	0.05	125	0.06	708	0.12	506	0.10
Russia	5,189	0.32	996	0.13	67	0.11	63	0.03	148	0.02	127	0.02
Singapore	1,525	0.09	493	0.07	914	1.48	562	0.26	853	0.14	717	0.14
Others/Unknown	5,995	0.37	4,290	0.57	1,192	1.93	2,241	1.03	4,088	0.68	3,340	0.66
<b>Total Air<sup>(3)</sup></b>	<b>1,620,954</b>	<b>99.38%</b>	<b>751,862</b>	<b>99.27%</b>	<b>60,683</b>	<b>98.50%</b>	<b>215,928</b>	<b>99.54%</b>	<b>598,997</b>	<b>99.40%</b>	<b>514,430</b>	<b>98.51%</b>
<b>Total Sea</b>	<b>10,095</b>	<b>0.62%</b>	<b>5,523</b>	<b>0.73%</b>	<b>924</b>	<b>1.50%</b>	<b>987</b>	<b>0.46%</b>	<b>3,597</b>	<b>0.60%</b>	<b>7,756</b>	<b>1.49%</b>
<b>Total Air &amp; Sea</b>	<b>1,631,049</b>	<b>100.00%</b>	<b>757,385</b>	<b>100.00%</b>	<b>61,607</b>	<b>100.00%</b>	<b>216,915</b>	<b>100.00%</b>	<b>602,594</b>	<b>100.00%</b>	<b>522,186</b>	<b>100.00%</b>

(1) Preliminary, subject to change; data for first eight months of Fiscal Year 2024 (October 2023 – May 2024)

(2) Includes the Republic of Palau, Federated States of Micronesia and the Republic of the Marshall Islands.

(3) Includes military air arrivals.

Source: Guam Visitors Bureau.

**Table 6**  
**Percentage Change in Annual Visitors to Guam by Country**  
**Fiscal Years 2019-2023**

	<b>2019</b>	<b>2020</b>	<b>% Change From 2019</b>	<b>2021</b>	<b>% Change From 2020</b>	<b>2022</b>	<b>% Change From 2021</b>	<b>2023</b>	<b>% Change From 2022</b>
Japan	664,784	324,574	-51.2%	3,454	-98.9%	13,022	277.0%	97,823	651.2%
South Korea	734,339	325,109	-55.7	2,063	-99.4	108,454	5157.1	358,570	230.6
U.S. Mainland / Hawaii	94,141	48,263	-48.7	41,239	-14.6	64,572	56.6	82,794	28.2
Taiwan	28,346	10,691	-62.3	2,253	-78.9	423	-81.2	5,371	1169.7
China P.R.C.	12,588	4,287	-65.9	124	-97.1	416	235.5	2,025	386.8
CNMI	22,566	10,318	-54.3	3,178	-69.2	12,625	297.3	14,383	13.9
Micronesia <sup>(1)</sup>	19,788	9,858	-50.2	2,849	-71.1	5,290	85.7	15,903	200.6
Philippines	20,708	9,344	-54.9	2,262	-75.8	6,230	175.4	13,593	118.2
Australia	2,250	1,297	-42.4	360	-72.2	1,079	199.7	1,253	16.1
Europe	2,340	1,116	-52.3	697	-37.5	826	18.5	1,485	79.8
Hong Kong	6,395	1,226	-80.8	31	-97.5	125	303.2	708	466.4
Russia	5,189	996	-80.8	67	-93.3	63	-6.0	148	134.9
Singapore	1,525	493	-67.7	914	85.4	562	-38.5	853	51.8
Others / Unknown	7,520	4,290	-43.0	1,192	-72.2	2,241	88.0	4,088	82.4
<b>Total Air<sup>(2)</sup></b>	<b>1,622,479</b>	<b>751,862</b>	<b>-53.7%</b>	<b>60,683</b>	<b>-91.9%</b>	<b>215,928</b>	<b>255.8%</b>	<b>598,997</b>	<b>177.4%</b>
<b>Total Sea</b>	<b>10,095</b>	<b>5,523</b>	<b>-45.3%</b>	<b>924</b>	<b>-83.3%</b>	<b>987</b>	<b>6.8%</b>	<b>3,597</b>	<b>264.4%</b>
<b>Total Air &amp; Sea</b>	<b>1,632,574</b>	<b>757,385</b>	<b>-53.6%</b>	<b>61,607</b>	<b>-91.9%</b>	<b>216,915</b>	<b>252.1%</b>	<b>602,594</b>	<b>177.8%</b>

<sup>(1)</sup> Includes the Republic of Palau, Federated States of Micronesia and the Republic of the Marshall Islands.

<sup>(2)</sup> Includes military air arrivals.

Source: Guam Visitors Bureau.

Japan and South Korea. Because many Guam tourists historically originated from Japan and South Korea prior to the COVID-19 pandemic, trends in Guam’s tourist industry are closely linked to Japanese and South Korean travel patterns. See Tables 5 and 6 and “APPENDIX A – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GEOGRAPHIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Guam Tourism Industry – Key Visitor Markets.”

Key drivers that have affected Japanese tourism have typically included: the impacts of the economic recessions and recoveries experienced by the Japanese economy, due in part to an increase in Japan’s consumption tax; the increased popularity among Japanese tourists of other tourist locations; the impact of the financial difficulties experienced by the Japanese airline industry; the impact of natural disasters; and concerns regarding aviation security, terrorism and world health concerns, including the COVID-19 pandemic. For example, the number of visitors from Japan started declining in Fiscal Year 2020 and dropped to a low of 3,454 in Fiscal Year 2021 due primarily to the COVID-19 pandemic and related travel restrictions, including vaccination and quarantining requirements. Japan gradually reopened the economy and the travel market and lowered travel warnings for the U.S. and over 100 other countries in 2022. Furthermore, the value of the Japanese yen is currently at its weakest level since the 1990s.

Key drivers that have affected South Korean tourism have typically included the increased international travel among South Korean tourists; the increase in airline seat capacity; and world health concerns, including the COVID-19 pandemic. For example, the number of visitors from South Korea started declining in Fiscal Year 2020 and dropped to a low of 2,063 in Fiscal Year 2021 due primarily to the COVID-19 pandemic and related travel restrictions in South Korea, including vaccination and quarantining requirements. South Korea gradually reopened the economy and the travel market, reducing travel restrictions in 2022. Currently, Guam competes for South Korean visitors with a strong Won-Yen relationship, which trend the Authority expects to continue in the months ahead. Additionally, Guam is increasingly disadvantaged by the scale and cost of travel with neighboring destinations in Asia having larger populations and lower cost in their destination value chain.

Visa Waiver Program. The current Guam-Commonwealth of the Northern Mariana Islands (“CNMI”) visa waiver program allows visitors holding passports from Australia, Brunei, Hong Kong, Japan, Malaysia, Nauru, New Zealand, Papua New Guinea, Republic of Korea, Singapore, Taiwan and the United Kingdom to visit Guam and/or CNMI without a visa for a period of up to 45 days.

### ***Air Carrier Market Share***

The following table presents airline market shares of total enplaned passengers at the Airport in Fiscal Years 2019 through 2023. United Airlines, Inc., a wholly owned subsidiary of United Continental Holdings Inc. (“**United Airlines**”), is the largest carrier. The Airport serves as a hub in United Airlines’ global route network. United Airlines’ Guam hub is designed to serve (1) regional origin-destination passengers on short-haul flights to and from Guam, (2) origin-destination passengers on long-haul flights, primarily tourists visiting Guam, and (3) transit passengers on connecting or through flights. Although airline service at the Airport is still provided principally by major flag carriers such as United Airlines, low-cost carriers also provide service at the Airport.

Airline market shares fluctuated during Fiscal Years 2020 through 2022 due to the COVID-19 pandemic and travel restrictions, and have returned to approximate the pre-pandemic shares more closely beginning in Fiscal Year 2023. For the first nine months of Fiscal Year 2024, United Airlines accounted for 37.8% of airline market share, as compared to 36.4% in Fiscal Year 2019 (pre-pandemic).

See also “APPENDIX A – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GEOGRAPHIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Guam Tourism Industry – Airlines.”

**Table 7**  
**Airline Market Shares of Enplaned Passengers**  
**A.B. Won Pat International Airport, Guam**  
**Fiscal Years 2019 to 2023**

<b>Airline</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
United Airlines	36.4%	38.2%	85.3%	60.2%	44.8%
Jeju Air	15.3	18.6	0.1	5.5	16.0
Jin Air	11.0	8.4	2.9	9.0	13.6
T'Way Air	9.5	8.9	0.3	3.1	5.6
Korean Air	9.3	9.1	0.4	7.6	10.1
Japan Airlines	5.7	5.2	0.0	0.3	1.1
Air Seoul <sup>(1)</sup>	3.7	3.5	0.0	4.6	0.3
Philippine Airlines	3.0	2.9	3.0	5.9	5.6
Air Busan <sup>(1)</sup>	2.7	2.6	0.0	1.5	0.2
China Airlines	1.8	1.5	0.1	1.5	0.0
Cebu Pacific <sup>(2)</sup>	1.1	0.0	0.0	0.0	0.0
Other <sup>(3)</sup>	0.5	0.6	7.9	2.3	2.7
<b>Total<sup>(4)</sup></b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Air Busan and Air Seoul suspended all service in March 2020, resumed service in December 2021 and suspended Guam operations in November 2022. Air Busan and Air Seoul remain Signatory Airlines. See “– Air Carriers Serving the Airport” and “CERTAIN INVESTMENT CONSIDERATIONS – Financial Condition of the Airlines.”

(2) Cebu Pacific permanently suspended all service in December 2019.

(3) Other airlines included Star Marianas, Arctic Circle, Uzbekistan Air, Starlux Airlines, Asiana Airlines and drop-in airlines that serve other markets less than once daily.

(4) May not add due to rounding

Source: The Authority.

### ***Scheduled Airline Service***

Air service at the Airport can be broken down into three types of service: (1) inter-island service among the western Pacific islands (including the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Republic of Palau and the Federated States of Micronesia); (2) domestic service to the United States; and (3) medium- and long-haul international service, primarily in the Pacific Rim.

The following table sets forth certain information relating to the top 20 origin-destination passenger markets and airline service for the Airport for calendar year 2023.

In the first quarter of calendar year 2024, scheduled passenger airlines maintained capacity and frequency from 14 direct originations from the last quarter of calendar year 2023, with Seoul, Tokyo and Busan ranking in the top 3 of all originating markets. Travel from the U.S. and Hawaii has seen a significant uptick with the U.S. Air Force and U.S. Navy hosting multinational trainings on Guam in February, March and July 2024. On May 1, 2024, a new daily direct service out of the Tokyo’s Haneda Airport came into effect, adding a fifteenth nonstop flight to Guam’s passenger flight network, and a fifth nonstop connection to Japan.

**Table 8**  
**Top 20 Origin-Destination Passenger Markets and Airline Service**  
**A.B. Won Pat International Airport, Guam**  
**Calendar Year 2023**

<b>Rank</b>	<b>Origin/Destination Market</b>	<b>Air Miles from Guam</b>	<b>Originating Passengers</b>	<b>Percent of Originating Airline Passengers</b>	<b>Average Scheduled Daily Nonstop Departing Seats</b>	<b>Average Daily Nonstop Flights<sup>(1)</sup></b>
1	Seoul	2,000	319,639	38.41%	1,139	6
2	Tokyo	1,550	103,171	12.52%	710	4
3	Busan	1,800	74,559	8.93%	252	2
4	Manila	1,600	53,160	6.37%	345	2
5	Osaka	1,580	51,264	4.64%	164	1
6	Honolulu	3,800	29,487	3.53%	350	1
7	Nagoya	1,550	26,197	3.14%	152	1
8	Saipan	130	25,697	3.08%	179	1
9	Fukuoka	1,650	12,551	2.63%	79	1
10	Chuuk	630	8,840	1.06%	104	1
11	Taipei	1,730	7,841	0.94%	0	0
12	San Diego	6,170	7,729	0.93%	0	0
13	Koror	810	6,895	0.83%	0	0
14	Pohnpei	1,020	6,211	0.74%	0	0
15	Los Angeles	6,090	5,969	0.71%	0	0
16	Hong Kong	2,120	5,827	0.70%	0	0
17	Seattle	5,673	5,436	0.65%	0	0
18	San Francisco	5,809	5,213	0.62%	0	0
19	Sapporo	1,760	4,813	0.58%	0	0
20	Washington DC	7,935	3,953	0.47%	0	0
	<b>Subtotal</b>		<b>764,452</b>	<b>91.48%</b>	<b>3,475</b>	<b>20</b>
	Other Cities		77,436	8.52%	32	0
	<b>TOTAL</b>		<b>841,888</b>	<b>100.00%</b>	<b>3,507</b>	<b>20</b>

<sup>(1)</sup> Rankings 11 through 20 represent connecting flights or less than daily flights.  
Source: OAG Aviation Data.

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***Airline Departures and Gross Takeoff Weight***

The following table presents passenger airline aircraft departures and gross takeoff weight at the Airport from Fiscal Years 2013 through 2023. The data include commercial airline operations but do not include military and general aviation operations.

Annual departures totaled 10,919 for the first nine months of Fiscal Year 2024, up 9.4% as compared to 9,984 in the same period in Fiscal Year 2023. Gross takeoff weight totaled 1,895,836 for the first nine months of Fiscal Year 2024, up 10.9% as compared to 1,709,811 in the same period in Fiscal Year 2023.

**Table 9  
Historical Passenger Airline Aircraft Departures and Gross Takeoff Weight  
A.B. Won Pat International Airport, Guam  
Fiscal Years 2013-2023**

<b>Fiscal Year</b>	<b>Annual Departures<sup>(1)</sup></b>	<b>Daily Average Departures</b>	<b>Gross Takeoff Weight (1,000-pound units)</b>	<b>Gross Takeoff Weight per Aircraft Departure (1,000-pound units)</b>
2013	26,363	72	3,258,721	123.6
2014	26,614	73	3,605,575	135.5
2015	27,987	77	3,351,229	119.7
2016	29,712	81	3,302,529	111.2
2017	30,217	83	3,332,805	110.3
2018	27,296	75	3,061,959	112.2
2019	27,269	75	3,372,358	123.7
2020	14,917	41	2,575,583	172.7
2021	6,204	17	1,582,331	255.1
2022	9,378	26	1,699,584	181.2
2023	13,801	38	2,317,944	168.0

<sup>(1)</sup> Aircraft departures are assumed to equal one half the reported passenger airline aircraft operations.  
Source: The Authority.

***Air Cargo***

The Airport receives revenues from air cargo from landing fees and parking, loading bridge use and fuel flowage fees, as well as from ground leases, space leases and airport business permits with various operators.

The total weight of all-cargo aircraft landings was approximately 255.5 million pounds and 207.4 million pounds in calendar years 2022 and 2023, respectively, up 84.5% and 49.7%, respectively, as compared to approximately 138.5 million pounds in calendar year 2019 (pre-pandemic). Since the beginning of the pandemic, several carriers have repurposed their passenger aircrafts to air cargo only operations due to, among other factors, lockdowns on passenger traffic. Revenues from air cargo were approximately 2.7% and 3.3% of total revenues in Fiscal Years 2022 and 2023, respectively, as compared to approximately 1.5% in Fiscal Year 2019 (pre-pandemic).

## CERTAIN FUNDING SOURCES

### Passenger Facility Charges

Under the Federal Aviation Safety and Capacity Expansion Act of 1990, as amended and recodified, and together with the regulations promulgated thereunder (collectively, the “**PFC Act**”), the FAA may authorize a public agency that controls an airport to impose a PFC of \$1.00, \$2.00, \$3.00, \$4.00 or \$4.50 (the current maximum level) for each air carrier passenger (subject to certain exceptions) enplaned at an airport controlled by such public agency. PFC revenues are used to finance airport projects approved by the FAA, including debt service and other financing costs on bonds or other obligations issued to finance such specific projects. The eligibility of such projects is subject to certain restrictions, including limitation on the authorized uses. Eligible airport-related projects approved by the FAA are referred to herein as “**Approved PFC Projects.**” The authority to collect a PFC expires once collections reach a maximum amount prescribed by the FAA. The maximum collection amount may be unilaterally increased by up to 25% by the public agency charging the PFC (such as the Authority) or otherwise increased upon approval of the FAA.

Under the PFC Act, all passenger air carriers serving an airport for which the FAA has authorized the collection of a PFC must collect such PFC at the time they sell an airline ticket to a passenger to be enplaned at the airport. The air carriers collecting a PFC on behalf of a public agency must remit the proceeds of the PFC to the public agency on a monthly basis, less any interest accrued on the investment of the proceeds of the PFC revenues they collect and \$0.11 of each PFC collected as administrative compensation. The PFC revenues received by the Authority are net of this administrative charge. In the event of an airline bankruptcy, it is unclear whether the Authority would be afforded the status of a secured creditor with regard to PFC revenues collected or accrued with respect to that airline. See “CERTAIN INVESTMENT CONSIDERATIONS – Effect of Possible Bankruptcies.”

In November 1992, the Authority received approval from the FAA to impose a PFC in the amount of \$3.00 per enplaned passenger and to begin collection in February 1993. The approved use of PFC revenues was for (i) funding of various Approved PFC Projects on a “pay-as-you-go” basis and (2) payment of the eligible portion of principal and interest on bonds issued to finance the 1993 terminal renovation and expansion project (the “**1993 Bonds**”). As of Fiscal Year 1997, the Authority had completed the “pay-as-you-go” Approved PFC Projects. In July 2002, the Authority submitted an amendment to the original PFC application to the FAA requesting to extend the PFC collection period to 2025 and to increase the PFC charge to \$4.50 per enplaned passenger. The FAA subsequently approved the Authority’s request, and the increase was implemented on November 1, 2002 and to remain in effect through March 1, 2025. The Authority is planning to complete another amendment to the original PFC application to, among other things, extend the PFC collection period, which will be subject to approval by the FAA.

The Authority has authorization to collect up to \$257.8 million in PFC revenues to pay the principal and interest on bonds issued to finance or refinance the terminal renovation and expansion project originally completed in 1998. As of June 30, 2024, the Authority had collected approximately \$146.1 million in PFCs.

As discussed above under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Revenues,” the Indenture provides that PFC revenues are treated as Revenues for the purposes of the Indenture, but are to be used only to the extent and for the purposes that such PFC revenues are permitted to be used by federal law or regulation. In Fiscal Years 2022 and 2023, the Authority recorded approximately \$1.3 million and \$3.3 million, respectively, in PFC revenues to the payment of debt service on a portion of outstanding Bonds. The Authority currently uses PFC revenues to help pay debt service on the 2019 Series B Bonds, the 2021 Bonds and the 2023 Bonds. The 2024 Bonds are being issued to refund a portion of the Authority’s outstanding 2021 Bonds, and the Authority expects to apply PFC revenues to help pay annual debt service on the 2024 Bonds. The Authority is not required to seek FAA approval to apply PFC revenues to the payment of debt service on the 2024 Bonds.

The actual amount of PFC revenues received in each Fiscal Year may vary depending on the number of qualifying passenger enplanements at the Airport. For example, total PFC revenues were approximately \$7.4 million in Fiscal Year 2019 (pre-pandemic), and declined to \$270,964 in Fiscal Year 2021 due to the COVID-19 pandemic and global travel restrictions. See “CERTAIN INVESTMENT CONSIDERATIONS” for a general discussion of

several factors that may impact the number of passenger enplanements at the Airport and the Authority's receipt of PFC revenues.

### **Aviation Fuel Tax**

On November 7, 2014, the FAA adopted updated policies and procedures concerning the use of airport revenues, which included the proceeds from taxes on aviation fuel as airport revenues generated from taxes increased or imposed after December 30, 1987. This update clarified that state or local taxes on aviation fuel, except taxes in effect on December 30, 1987, are considered to be airport revenue subject to FAA revenue-use requirements. Public Law 34-44 increased the aviation fuel tax rate on Guam from four cents (\$0.04) to eight cents (\$0.08) per gallon effective January 1, 2018, increasing the taxes on aviation fuel above the grandfathered rate of four cents (\$0.04) per gallon; however, such amounts were not immediately received by the Authority. In Fiscal Year 2023, the Authority recorded approximately \$6.8 million of previously owed taxes on aviation fuel that should have been remitted to the Authority between January 1, 2018 and September 30, 2023. Such amount has not yet been received by the Authority and a payment plan for such previously owed taxes on aviation fuel is currently pending FAA approval. In May 2024, the Government began to remit to the Authority the applicable four cents (\$0.04) increase on the aviation fuel tax earned since October 1, 2023. For Fiscal Year 2024, the Authority anticipates approximately \$1.7 million in revenues from the aviation fuel tax.

Taxes on aviation fuel above the grandfathered rate of four cents (\$0.04) per gallon are considered "Revenues" under the Indenture and can be used to satisfy the Rate Covenant. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant."

### **Federal Funding**

The Authority funds a significant portion of the costs of capital projects at the Airport and certain other programs at the Airport with grant and other funds received from various federal agencies pursuant to various programs, some of which are described below.

#### ***FAA Funds***

The Authority receives federal grants from the FAA each year. The Airport and Airway Improvement Act of 1982, as amended, created the Airport Improvement Program (the "AIP"). The AIP is administered by the FAA and funded by the Airport and Airway Trust Fund, which is financed by federal aviation user taxes. Under the AIP, the FAA awards grant moneys to airports around the country for capital improvement projects. Grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon the number of enplaned passengers and the aggregate landed weight of all-cargo aircraft; discretionary funds are available at the discretion of the FAA based upon a national priority system. Before federal approval of any AIP grants can be given, eligible airports must provide written assurances that they will comply with a variety of statutorily specified conditions. The Authority is subject to periodic compliance reviews by the FAA to verify the Authority's compliance with applicable federal laws, FAA grant assurances and FAA policies. Generally, federal grants are paid to the Authority on a reimbursement basis when the grant agreement is approved and after eligible expenditures are made.

#### ***TSA Funds***

The Authority has previously received funds from the TSA through (i) the National Explosive Detection Canine Team Program (the "NEDCT Program"), which provides for funding for training canine units; (ii) the Law Enforcement Officers Reimbursement Agreement Program (the "LEORA Program"), which provides funding for training law enforcement officers to support passenger screening activities at airport checkpoints; and (iii) Other Transaction Agreements ("OTA") providing for the funding of design and development associated with certain capital projects. OTAs are not considered procurement contracts, grants or cooperative agreements.

The Authority intends to continue seeking federal funding for its capital improvements, when appropriate. In the event the Authority does not receive such federal grants or other federal funds in the expected amounts, the

Authority would need to identify alternative sources of funding for such projects, such as the issuance of Additional Bonds, or may choose not to proceed with certain projects.

### ***COVID-19 Related Relief***

The federal government passed three pieces of legislation providing financial stimulus and relief to individuals, businesses and organizations impacted by the COVID-19 pandemic, each of which is briefly described below. Generally, funds may be drawn on a reimbursement basis to pay for any purpose for which airport revenues can be lawfully used, including but not limited to, the payment of operating expenses and debt service.

In March 2020, the federal government passed the Coronavirus Aid, Relief and Economic Securities Act (the “**CARES Act**”), which provided approximately \$10 billion in government aid to U.S. airports impacted by the COVID-19 pandemic, subject to certain conditions. Under the CARES Act, the Authority was allocated approximately \$20.7 million in grant funding; the Authority applied \$14.7 million of such funding to pay operating expenses and debt service in Fiscal Year 2020, and the remaining \$6.0 million of such funding to pay operating expenses and debt service in Fiscal Year 2021.

In December 2020, the federal government passed the Coronavirus Response and Relief Supplemental Appropriations Act (the “**CRRSA Act**”), which provided approximately \$2 billion in government aid to U.S. airports impacted by the COVID-19 pandemic, including for relief from rent and minimum annual guarantees for eligible airport concessions. Under the CRRSA Act, the Authority was allocated approximately \$6.0 million in grant funding, and applied the full amount of such funding to pay operating expenses in Fiscal Year 2021.

In March 2021, the federal government passed the American Rescue Plan Act (the “**ARP Act**”), which provided approximately \$8 billion in government aid to U.S. airports impacted by the COVID-19 pandemic, including for relief from rent and minimum annual guarantees for eligible airport concessions. Under the ARP Act, the Authority was allocated approximately \$15.8 million in grant funding; the Authority applied \$8.0 million of such funding to pay operating expenses and debt service in Fiscal Year 2021 and applied the remaining \$6.2 million and \$1.6 million of such funding to pay operating expenses and debt service in Fiscal Years 2022 and 2023, respectively. In addition, the ARP Act established the Coronavirus State and Local Fiscal Recovery Funds to provide support to state, local and tribal governments. The Government has allocated \$17.0 million of such moneys to the Authority. The Authority applied such funding to pay operating expenses, specifically personnel costs, in Fiscal Years 2022 and 2023.

The Authority estimates that the amount of forgone revenues from waiving contractual minimum annual guarantee requirements from April 2020 through July 2023 for applicable concessionaires totaled approximately \$35.3 million. See “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Terminal Building Concessions and Revenue Arrangements – *Duty Free Concession*” and “– *Food and Beverage Concessions*” and “– Non-Passenger Terminal Building Concessions and Revenue Arrangements – *Rental Cars and Customer Facility Charges*” and “– *Parking*.”

Funds received under the CARES Act, CRRSA Act and ARP Act are considered “Revenues” under the Indenture and can be used to satisfy the Rate Covenant. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant.”

The following table sets forth the amounts of federal grants and other funds awarded to the Authority from such federal agencies during Fiscal Years 2013 through 2023, and the first nine months of Fiscal Year 2024. The following table does not include the \$17.0 million of Coronavirus State and Local Fiscal Recovery Funds that the Government allocated to the Authority.

**Table 10**  
**A.B. Won Pat International Airport, Guam**  
**Federal Grant and Other Funding**  
**Fiscal Years 2013 through 2023 and First Nine Months of Fiscal Year 2024**

Fiscal Year	Federal Agency	Type of Funding	Award Amount
2013	FAA	AIP Grant	\$ 1,517,000
	TSA	OTA	25,343,330
2014	FAA	AIP Grant	4,950,567
2015	FAA	AIP Grant	3,251,000
2016	FAA	AIP Grant	6,526,726
	TSA	NEDCT Program and LEORA Program	1,943,782
2017	FAA	AIP Grant	9,700,500
2018	FAA	AIP Grant	20,517,558
2019	FAA	AIP Grant	4,596,429
2020	FAA	AIP Grant	26,092,783
	TSA	NEDCT Program and LEORA Program	378,749
	FAA	CARES Act	20,693,369
2021	TSA	NEDCT Program and LEORA Program	175,200
	FAA	AIP Grant	12,251,167
	FAA	CRRSA Act	5,955,726
	FAA	ARP Act	15,763,258
2022	TSA	NEDCT Program & LEORA Program	295,700
	FAA	AIP Grant	6,880,921
2023	FAA	AIP Grant	36,082,492 <sup>(1)</sup>
	FAA	BIL AIG	3,225,800 <sup>(1)</sup>
	TSA	NEDCT Program & LEORA Program	350,971
	FEMA	Covid-19 Emergency Protective Measures	505,539
2024 <sup>(2)</sup>	FAA	AIP Grant	500,000 <sup>(1)</sup>
	FAA	BIL ATP	21,400,000 <sup>(1)</sup>
	TSA	NEDCT Program & LEORA Program	238,248 <sup>(1)</sup>

<sup>(1)</sup> Full award amount has not yet been paid to the Authority on a reimbursement basis.

<sup>(2)</sup> Fiscal Year 2024 data as of June 30, 2024.

Source: The Authority.

***Infrastructure Investment and Jobs Act (Bipartisan Infrastructure Law).***

The federal government passed the Infrastructure Investment and Jobs Act, also referred to as the Bipartisan Infrastructure Law (the “BIL”) in November 2021. The BIL provides approximately \$25 billion for airport capital projects over a five-year period (Fiscal Years 2022-2026). This aviation funding includes \$15 billion in grants for airport infrastructure projects that increase safety and expand capacity; \$5 billion in competitive grants for airport terminals including replacing aging terminals and airport-owned control towers; and \$5 billion to improve the physical condition of FAA air traffic control facilities. BIL grants are not eligible to pay airport operating expenses and debt service.

Under the Airport Infrastructure Grants (AIG) program provided by BIL, the Authority expects to receive approximately \$30 million for infrastructure development over the five-year period. As of June 30, 2024, the Authority has been allocated approximately \$17.8 million in BIL funds (approximately \$3.2 million of which has been received to date) for Fiscal Years 2022, 2023 and 2024 and plans to apply such funding to non-terminal

building capital improvement projects. In addition, BIL also provides competitive discretionary funding for the Airport Terminals Program (ATP). For Fiscal Year 2024, the Authority has been selected for a \$21.4 million project to replace the terminal roof with an energy efficient roofing system. This project is currently underway. See “AIRPORT PLANNING – Capital Improvement Plan – *Primary Projects Currently Underway* – Terminal Roof Replacement.”

## **AGREEMENTS FOR USE OF AIRPORT FACILITIES**

The Authority has entered into, and receives payments under, different agreements with various airlines and other parties, including operating and lease agreements relating to landing fees, other fees and the leasing of space in the terminal building; other leases regarding cargo and other facilities; and concession agreements and other arrangements relating to the sale of goods and services at the Airport.

### **Airline Operating Agreements**

Below is a brief summary of certain provisions of the Airline Operating Agreements. See “THE AIRPORT – Air Carriers Serving the Airport.” Airlines that have entered into operating agreements are referred to as “**Signatory Airlines**.” For a more detailed summary of the Airline Operating Agreements, see “APPENDIX B – SUMMARY OF THE FORM OF SIGNATORY AIRLINE OPERATING AGREEMENT AND TERMINAL BUILDING LEASE.” Capitalized terms not defined in this section are defined in “APPENDIX B – SUMMARY OF THE FORM OF SIGNATORY AIRLINE OPERATING AGREEMENT AND TERMINAL BUILDING LEASE – DEFINITIONS.”

#### ***General***

As of August 23, 2024, all passenger air carriers serving the Airport with scheduled service are Signatory Airlines. The Authority has a separate, substantially similar Signatory Airline Operating Agreement and Terminal Building Lease with each Signatory Airline serving the Airport (each, an “**Airline Operating Agreement**” and collectively, the “**Airline Operating Agreements**”). These Airline Operating Agreements are generally consistent with the Authority’s previous airline operating agreements. Each Airline Operating Agreement sets forth the terms of use of and the Authority’s rate-setting mechanisms for the Signatory Airline’s airfield and terminal facilities. The Airline Operating Agreements have a five-year term from October 1, 2019 through September 30, 2024. The Authority is working with the Signatory Airlines to execute new airline operating agreements with substantially similar terms as the existing Airline Operating Agreements. The new airline operating agreements are expected to have a five-year term from October 1, 2024 through September 30, 2029. If necessary, and until such time a new airline operating agreement is executed, the Authority anticipates that the Signatory Airlines will continue to operate on “holdover status” on a month-to-month basis under the terms of the existing Airline Operating Agreements. Guam law currently precludes the Authority from entering into an agreement for the use of public real property for a term in excess of five years. In the event there is a change in such law, each Airline Operating Agreement may be extended for an additional five-year term upon mutual agreement in writing by the Authority and the Signatory Airline.

Under the Airline Operating Agreements, each Signatory Airline has the exclusive right to use its “Exclusive Use Space” for ticket counters, ticket, baggage and cargo services and operational support areas and offices. Each Signatory Airline also has the nonexclusive right to use the “Joint Airline Use Space,” which includes, among other things, the baggage claim areas and passenger hold rooms, the “Conditional Airline Use Space,” and the “Common Use Ticket Counter Space,” consisting of certain ticket counter positions, which the Authority may reassign to one or more other Signatory Airlines under certain conditions. The Airline Operating Agreements also provide that gates are assigned to the Signatory Airlines on a quarterly basis, with priority assignment based on recent activity at the Airport, and the Authority has the right to re-assign gates and other facilities to other Signatory Airlines. Under certain circumstances, including failure to pay any amounts due under an Airline Operating Agreement or failure to provide regularly scheduled service to and from the Airport for a period of 60 consecutive days, the Authority may terminate an Airline Operating Agreement if it provides 30 days’ advance written notice to the Signatory Airline and during such period the Signatory Airline has not cured (or has not commenced and is not diligently pursuing curing) the cause for such termination. In certain limited circumstances, a Signatory Airline may terminate an Airline Operating Agreement by providing the Authority with 60 days’ advance written notice.

### *Rates and Charges*

Pursuant to the Airline Operating Agreements, the Signatory Airlines are required to pay on a monthly basis landing fees, terminal building rentals, loading bridge use fees, apron use fees, enplanement fees, arrival fees, common use departure fees and immigration inspection fees. For purposes of accounting for Airport revenues and expenses and calculating and adjusting rates and charges, the Airport is divided into five cost centers (the “**Airport Cost Centers**”): (i) the Airfield Area, (ii) the Apron Area, (iii) the Terminal Area, (iv) the Terminal Building and (v) the Other Buildings and Areas. As provided in the Airline Operating Agreements, the terminal rental rates, the loading bridge use fees, apron use fees, enplanement fees, arrival fees, common use departure fees and immigration inspection fees are calculated based on a compensatory rate-setting methodology, and the landing fees at the Airport are calculated based on a residual rate-setting methodology.

A Signatory Airline’s terminal building rent is determined by multiplying (x) the total square footage of its Exclusive Use Space and its allocable portion of the Joint Airline Use Space by (y) the Terminal Building rental rate, which is calculated by dividing the Net Terminal Building Requirement by the total Usable Space. The loading bridge fee is determined by dividing (x) the Loading Bridge Use Fee requirement by (y) the estimated number of loading bridge uses by the Signatory Airline for the succeeding Fiscal Year, and the apron use fee is determined by dividing (a) the Apron Area requirement by (b) the estimated total takeoff weight for all Signatory Airline aircraft arrivals for the succeeding Fiscal Year.

Generally, in determining the Net Terminal Building Requirement, the Loading Bridge Use Fee requirement and the Apron Requirement, the Authority calculates the total direct and indirect estimated Operating and Maintenance Expenses allocated to the applicable Airport Cost Centers, an amount equal to 1.25 times the pro rata portion of annual debt service on the Authority’s outstanding Bonds allocated to the applicable Airport Cost Centers or such other amount required by the Indenture, the pro rata portion of the annual requirement of any subordinate security or other loans allocated to the applicable Airport Cost Centers, the pro rata portion of the estimated amount, if any, for other deposits required by the Indenture or the Airline Operating Agreement allocated to the applicable Airport Cost Centers, the total amount or pro rata portion of the annual amortization allocated to the applicable Airport Cost Centers of any capital improvements placed in service prior to the Fiscal Year for which rates and charges are being determined, the estimated amount of any assessment, judgment or charge (net of insurance proceeds) to become payable by the Authority relating directly to the Airport or its operation and allocated to the applicable Airport Cost Centers, any estimated deficit or credit for the operation of the applicable area during the then-current Fiscal Year or any adjustment carried forward from a previous Fiscal Year, and, with respect to the Net Terminal Building Requirement, a credit equal to the allocated portion of the balance in the Other Available Moneys Coverage Subaccount.

The enplanement fee, arrival fee and immigration fee are based on the annual average Terminal Building rental rate, the square footage of the departure facilities, the arrival facilities and the immigration inspection facilities, respectively, and the estimated numbers of Signatory Airline enplaned passengers, arriving passengers and international deplaned passengers, respectively.

Pursuant to the Airline Operating Agreements, the Landing Fee rate is determined by dividing (x) the Landing Fee requirement by (y) the composite estimate of the total maximum gross certificated takeoff weight of all Signatory Airline aircraft arrivals for the succeeding Fiscal Year. In determining the Landing Fee requirement for the next succeeding Fiscal Year, the Authority takes into account the Authority’s total direct and indirect estimated Operation and Maintenance Expenses, an amount equal to 1.25 times the annual debt service on the Authority’s outstanding Bonds or such other amount required by the Indenture, the estimated amounts of the annual requirement of any subordinate security or other loans pertaining to the Airport and for other deposits, if any, required by the Indenture or the Airline Operating Agreements, the annual amortization allocated to the Terminal Building, Apron Area, Airfield Area and loading bridges of the total amount of any capital improvements placed in service prior to such Fiscal Year, the estimated amount of any assessment, judgment or charge (net of insurance proceeds) to become payable by the Authority relating directly to the Airport or its operation and any overpayment or underpayment estimated for operation of the Airport during the then-current Fiscal Year or any adjustment carried forward from a previous Fiscal Year, less estimated revenue to be derived by the Authority from Airport concessions, rents, fees, and charges from other than Signatory Airlines, service fees (excluding PFCs and FAA grants-in-aid) and use fees, estimated unrestricted investment income in the succeeding Fiscal Year from all funds

and accounts except the Construction Fund and the Capital Improvement Fund, the estimated total Terminal Building rents, arrival fees, immigration inspection fees, loading bridge use fees and apron fees to be paid by the Signatory Airlines, and a credit equal to the balance in the Other Available Moneys Coverage Subaccount.

For a description of the methods for determining the Net Terminal Building Requirement, the Loading Bridge Use Fee requirement and the Apron Requirement and the Landing Fee Requirement, see “APPENDIX B – SUMMARY OF THE FORM OF SIGNATORY AIRLINE OPERATING AGREEMENT AND TERMINAL BUILDING LEASE.”

The Airline Operating Agreements provide that if the total Landing Fee requirement during any Fiscal Year is reasonably expected to vary by more than 10% from the projected Landing Fee requirement for such Fiscal Year, the Authority may, if deemed necessary by the Executive Manager after consultation with the Signatory Airlines, revise the Landing Fee rate, resulting in an adjusted Landing Fee effective as of April 1 of such Fiscal Year, by an amount equal to the difference between the projected and revised total Landing Fee requirement divided by the estimated total takeoff weight of all Signatory Airlines during the balance of the Fiscal Year.

The Airline Operating Agreements provide further that if at any time during any Fiscal Year, Airport revenues are insufficient to pay when due all items set forth in the report provided to the Signatory Airlines by the Authority as part of the budgeting and rate-setting process, or to pay any reasonable obligation or expense or cost incidental or necessary to, or arising out of, the operation of the Airport, the Authority may, upon notice and consultation with the Signatory Airlines, adjust the landing fee rate, terminal building rents, loading bridge use fee, apron use fee, enplanement fee, arrival fee and immigration inspection fee to such amounts as are sufficient to assure the Authority that all such items, expenses and costs will be paid in full, solely from revenues of the Airport, provided that the Authority has used commercially reasonable best efforts to reduce operating costs and budget for the then-current Fiscal Year before adjusting rents and fees.

Federal statutes and FAA regulations require that an airport maintain a rate structure that is as “self-sustaining” as possible. Various federal statutes also require that the rates and charges assessed by an airport operator for the use of its facilities by airlines and other aeronautical users be “reasonable” and not “unjustly discriminatory” and authorize the Secretary of Transportation to review rates and charges complaints brought by air carriers. No assurance can be given that the applicable statutory standards will remain the same or that FAA regulations or policies will not be modified or replaced in the future. The impact on the Authority of such a modification or replacement cannot be predicted. There is currently no dispute between the Authority and any of the airlines serving the Airport over existing rates and charges, but no assurance can be given that the air carriers serving the Airport will not challenge the Authority’s rate-setting methods in the future.

### ***Capital Improvements***

The Executive Manager is required under the Airline Operating Agreements to report to the Signatory Airlines on or before July 1 of each Fiscal Year the costs of any capital improvements to be programmed and included in the annual budget for the ensuing Fiscal Year and the debt service and/or amortization or lease payment schedule to be added to the rents and fees under the Airline Operating Agreement for those capital improvements and to meet with the Signatory Airlines to discuss the proposed capital improvements and the preferred means of financing such capital improvements. Any capital improvement not disapproved in writing within 30 days following such meeting (or the date the Authority provides any supporting documentation) by 60 percent of the Signatory Airlines in number who pay more than 60 percent of the rents and fees during the prior 12-month period (collectively, a “**Majority-in-Interest**”) is deemed to be concurred with and may be implemented by the Authority at any time. If a Majority-in-Interest disapproves a capital improvement, the Executive Manager is required to meet again with the Signatory Airlines to respond to any questions from the initial meeting and to provide any additional requested information regarding the capital improvement. If such capital improvement is again disapproved by a Majority-in-Interest, the capital improvement is to be deferred to the following Fiscal Year. If the Authority decides to proceed with the capital improvement in the following Fiscal Year, no additional meetings or approvals are necessary, subject to the provisions of the Airline Operating Agreements relating to any capital improvement having a cost in excess of \$10,000,000. The Authority is permitted under the Airline Operating Agreements to implement any capital improvement and include the amortization, debt service (including coverage) or loan payments for such capital improvement in the Signatory Airline rents and fees if the Authority determines that such capital

improvement is necessary or prudent to ensure compliance with a rule, regulation or order of any governmental agency having jurisdiction over operation of the Airport. The Authority may not proceed with any capital improvement having a cost in excess of \$10,000,000, however, if concurrence is specifically withheld by a Majority-in-Interest.

### ***Retirement of Outstanding Bonds***

The Airline Operating Agreement provides that if, at the end of any Fiscal Year in which Bonds or other debt obligations payable from Revenue remain outstanding, the balance in the Capital Improvement Subaccount not programmed or encumbered pursuant to the provisions of the Airline Operating Agreement relating to capital improvements exceeds the greater of (a) \$30,000,000 or (b) the sum of annual deposits to the Capital Improvement Subaccount for the three most recent Fiscal Years for which data is available, then such excess is to be transferred as soon as possible to the Debt Service Fund and used to provide for (i) the early retirement of any such Bonds or (ii) the refinancing of any outstanding Bonds or other outstanding obligations at such time as the Authority determines market conditions are favorable for such purpose. If the Authority has not applied such funds for such purposes within two years of the date of transfer, the funds are to be transferred to the Other Available Moneys Coverage Subaccount.

### **Passenger Terminal Building Concessions and Revenue Arrangements**

#### ***Duty Free Concession***

In 2013, the Authority entered into a concession agreement with Lotte Duty Free Guam, L.L.C. (“**Lotte**”), which was set to expire on July 20, 2023. On July 18, 2023, the Authority and Lotte entered into an amendment to the agreement (as amended, the “**Lotte Concession Agreement**”), which, among other things, extended the term of the agreement for an additional three years, commencing July 21, 2023, and expiring on July 20, 2026. Under the amended agreement, Lotte is required to pay the Authority rent as follows: (1) an annual concession fee in an amount equal to \$2,640,000, and (2) a per enplaned passenger fee based on the total number of enplaned passengers for the period of the extended term (\$4.00 up to 1,000,000 enplanements; \$4.50 on 1,000,001 to 1,500,000 enplanements; and \$5.00 over 1,500,000 enplanements). During this extended term, Lotte is required to secure a faithful performance bond of no less than \$8 million and make a minimum capital investment of not less than \$2.5 million.

Under certain circumstances, such as default, dissolution, insolvency, abandonment of the concession, discontinued passenger terminal operations, major destruction of the concession premises and similar circumstances, the Authority or Lotte may terminate the Lotte Concession Agreement upon 30 days’ prior notice to the other party. The Lotte Concession Agreement also provides that the Authority may terminate in part the Lotte Concession Agreement if the Authority determines that the efficient or convenient operations of the Airport require the use of any portion of the premises subject to the Lotte Concession Agreement. In the event of such a termination for convenience, the Authority would be required to pay Lotte a termination payment and rent may be subject to adjustment.

The Authority received approximately \$5.5 million and \$6.6 million in revenues from the Lotte Concession Agreement in Fiscal Years 2022 and 2023, respectively, as compared to \$13.3 million in Fiscal Year 2019 (pre-pandemic). Such revenues reflect the continued impact of the COVID-19 pandemic and Typhoon Mawar on the Airport.

Prior to the amendment in 2023, the original Lotte Concession Agreement was structured for the Authority to receive rent equal to a percentage of gross revenues or a minimum annual guarantee (“**MAG**”), whichever was higher. As a result of the pandemic, the Authority waived the contractual MAG requirement for Lotte and implemented a lower monthly rental requirement from April 2020 through July 2023. The Authority estimates that the total amount of forgone revenue was approximately \$34.2 million. See also “**CERTAIN FUNDING SOURCES – Federal Funding – COVID-19 Related Relief.**”

Litigation relating to the Lotte Concession Agreement is currently pending before the Superior Court of Guam. See “**CERTAIN INVESTMENT CONSIDERATIONS – Litigation Regarding the Duty Free Concession.**”

See also “APPENDIX C – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2023 Note 8 and Note 10”.

### ***Food and Beverage Concessions***

The Authority has food and beverage concession agreements with eight concessionaires that commenced on September 1, 2023. The agreements have a one-year term and two one-year extension options exercisable by the Authority. Under these agreements, the concessionaires are required to pay to the Authority annually the sum of: (i) 15% of the concessionaire’s annual gross revenues from the sale of food and non-alcoholic beverages; (ii) 20% of the concessionaire’s annual gross revenues from the sale of alcoholic beverages; and (iii) 22.5% of the concessionaire’s annual gross revenues from the sale of merchandise and in-restaurant advertising (collectively, the “**percentage rent**”). In the event a concessionaire fails to pay when due the percentage rent, or if percentage rent is less than the minimum rent charged by the Authority to other tenants, the Authority may instead impose a minimum rent as charged by the Authority to other tenants as expressed in terms of square footage. Under the agreements, each concessionaire is required to make periodic capital investments for improvements to the applicable premises and to provide a performance guaranty.

Separate from the agreements described above, the Authority also has a food and beverage concession agreement with Sissie Café that commenced on December 18, 2019, with a five-year term. Under the agreement, the concessionaire is required to pay to the Authority annually the greater of a minimum annual guarantee of \$100,000 or 15% of the concessionaire’s annual gross revenues. The agreement was structured for the Authority to receive rent equal to a percentage of gross revenues or a minimum annual guarantee, whichever was higher. As a result of the pandemic, the Authority waived the contractual MAG requirement for Sissie Café and implemented a lower monthly rental requirement from April 2020 through July 2023. The Authority estimates that the total amount of forgone revenue was approximately \$0.2 million. See also “CERTAIN FUNDING SOURCES – Federal Funding – COVID-19 Related Relief.”

The Authority received approximately \$0.4 million and \$0.8 million in revenues from the food and beverage concession agreements in Fiscal Years 2022 and 2023, respectively, as compared to \$1.1 million in Fiscal Year 2019 (pre-pandemic). Such revenues in Fiscal Years 2022 and 2023 reflect the continued impact of the COVID-19 pandemic, as well as the impact of Typhoon Mawar, on the Airport.

The Authority also plans to solicit concessions for additional food and beverage concessionaires in Fiscal Year 2025.

### ***In-Flight Catering***

LSG Lufthansa Services Guam, Inc. (“**LSG Lufthansa**”), provides in-flight catering pursuant to an annual business permit that currently expires on June 17, 2025. Pursuant to the permit, LSG Lufthansa is required to pay to the Authority an amount equal to 7% of its monthly gross revenues. LSG Lufthansa and the Authority have had this in-flight catering arrangement since the 1990s.

The Authority received approximately \$0.4 million and \$0.7 million in revenues from the arrangement in Fiscal Years 2022 and 2023, as compared to \$0.9 million in Fiscal Year 2019 (pre-pandemic). Such revenues in Fiscal Years 2022 and 2023 reflect the continued impact of the COVID-19 pandemic, as well as the impact of Typhoon Mawar on the Airport.

### ***Other Passenger Terminal Building Concessions***

The Authority has an airport advertising agreement with Big Fish Creative, Inc. (“**Big Fish**”), which presently continues on a month-to-month holdover basis. Under the agreement, Big Fish is required to pay to the Authority 60% of gross monthly revenue. The Authority received approximately \$208,284 and \$141,638 in revenues from the advertising concession agreement in Fiscal Years 2022 and 2023, respectively.

The Authority also plans to solicit concessions for currency exchange services, books, magazines and newsstand services, and advertising services within the passenger terminal building in Fiscal Year 2025.

## **Non-Passenger Terminal Building Concessions and Revenue Arrangements**

### ***Rental Cars and Customer Facility Charges***

Four rental car companies – Atkins Kroll, Hertz Rent-A-Car, National Car Rental and Nissan Rent-A-Car – currently operate at the Airport under rental car concession agreements that commenced on September 1, 2023. The agreements have a one-year term and two one-year extension options exercisable by the Authority. The rental car companies have been operating at the Airport since 2006 and the terms of the current agreement are generally consistent with prior rental car concession agreements. Under the agreements, the rental car companies are each required to pay to the Authority annually the greater of (i) a sum equal to 10% of the rental car company’s gross receipts made from or upon the Airport (the “percentage fee”) for such agreement year or (ii) a minimum annual guaranty fee in an amount equal to 85% of such rental car company’s percentage fee payable for the preceding agreement year. The agreements also provide for the payment of annual rent for counter and office space in the Terminal Building, the ready/return parking area and the staging/storage lot.

The aggregate minimum annual guaranty rent was approximately \$0.6 million and \$0.7 million in Fiscal Years 2022 and 2023, respectively, as compared to \$1.3 million in Fiscal Year 2019 (pre-pandemic). The Authority received approximately \$0.9 million and \$1.4 million in revenues from the rental car concession agreements in Fiscal Years 2022 and 2023, respectively, as compared to \$1.5 million in Fiscal Year 2019 (pre-pandemic). Such revenues in Fiscal Years 2022 and 2023 reflect the continued impact of the COVID-19 pandemic, as well as the impact of Typhoon Mawar, on the Airport.

The prior rental car concession agreements were structured for the Authority to receive rent equal to a percentage of gross revenues or a minimum annual guarantee, whichever was higher. As a result of the pandemic, the Authority waived the contractual MAG requirement for the rental car companies and implemented a lower monthly rental requirement from April 2020 through July 2023. The Authority estimates that the total amount of forgone revenue was approximately \$0.8 million. See also “CERTAIN FUNDING SOURCES – Federal Funding – COVID-19 Related Relief.”

The rental car companies are also required to collect on behalf of, and to remit to, the Authority a \$0.50 per contract day customer facility charge (“CFC”). CFC revenues are not included in Revenues. The Authority applies a portion of the CFCs remitted to the Authority to pay the costs of developing and building the ready/return parking area and staging/storage lot used by the rental car companies and the operating and maintenance expenses of the Authority allocable to the ready/return parking area and staging/storage lot. The remaining CFCs are held in trust by the Authority to be applied to pay the costs of planning, designing and constructing new rental car facilities. In Fiscal Years 2022 and 2023, \$90,672 and \$133,999 of CFC revenues were remitted to the Authority, respectively, as compared to \$152,956 in Fiscal Year 2019 (pre-pandemic).

### ***Parking***

The parking facility located at the passenger terminal building includes both public parking and commercial vehicle parking. The public parking lot includes both short-term and long-term parking, and the commercial vehicle parking facility includes parking for tour operators, taxis and the rental car companies. PacAir, Ltd. (“PacAir”) manages and operates the public facilities at the Airport under a parking concession agreement. PacAir also manages the commercial vehicle parking facilities adjacent to the passenger terminal building on an interim basis, pending implementation of an Automated Vehicle Identification System (“AVIS”) developed and financed by PacAir. The parking concession agreement commenced November 1, 2023. The agreement has a two-year term with a one-year extension option exercisable by the Authority. PacAir has been operating at the Airport since 2011 and the terms of the current agreement are generally consistent with the prior parking agreement.

Under the agreement, PacAir is required to pay to the Authority annually the greater of (i) \$120,000 or (ii) 17% of PacAir’s monthly gross receipts for its operation of the parking facilities. PacAir is also required to make a

minimum investment amount of \$200,000 to upgrade the parking revenue control system. The Authority retains, among other things, the right to establish parking rates. Parking rates are established annually and are set forth in the Airport Tariff Schedule. The Authority has not increased rates since 2016. In addition, PacAir pays a monthly rental fee for office space at the Airport. The Authority pays a monthly flat service fee to PacAir to cover operational expenses for the management of the commercial parking facilities. Subject to the approval of the Authority, PacAir may sell advertising space on the parking facilities. PacAir is required to pay to the Authority an amount equal to 15% of the gross revenue from the sale of such advertising.

The Authority received approximately \$120,883 and \$199,598 in revenues from the parking agreement in Fiscal Years 2022 and 2023, respectively, as compared to \$253,295 in Fiscal Year 2019 (pre-pandemic). Such revenues in Fiscal Years 2022 and 2023 reflect the continued impact of the COVID-19 pandemic, as well as the impact of Typhoon Mawar, on the Airport.

The prior parking agreement was structured for the Authority to receive rent equal to a percentage of gross revenues or a minimum annual guarantee, whichever was higher. As a result of the pandemic, the Authority waived the contractual MAG requirement for PacAir and implemented a lower monthly rental requirement from April 2020 through July 2023. The Authority estimates that the total amount of forgone revenue was approximately \$0.1 million. See also “CERTAIN FUNDING SOURCES – Federal Funding – *COVID-19 Related Relief*.”

### ***Ground Transportation***

The Airport typically receives ground transportation revenues generated from tour bus operators, taxicab operations, airport shuttle services, transportation network companies (*i.e.*, ridesharing companies) and other courtesy vehicle operations. The Authority has not entered into any long-term concession agreements with any ground transportation providers, although some ground transportation providers rent counter and/or office or other facilities space pursuant to space leases with the Authority. Instead, the various ground transportation providers typically operate under annual airport business permits, pursuant to which the various ground transportation providers pay to the Authority specified fees and charges. The Authority historically derives a significant portion of its ground transportation revenues from tour bus operators and taxicab operations. Tour bus operators are required to pay an annual permit fee per vehicle, the amount of which varies depending on vehicle passenger capacity. In addition, the Authority typically receives from tour operators a tour bus Facility charge fee for arriving passengers, which the Authority has set at \$5.00 per arriving passenger for permitted operators and \$10.00 per arriving passenger for non-permitted operators. Taxi operators pay an annual per cab permit fee to operate at the Airport. The taxicab permit charge was \$300 for each of Fiscal Years 2022 and 2023 and is currently \$400 for Fiscal Year 2024. Transportation network companies pay an annual permit fee of \$40.00 per vehicle and 10% of gross revenues, payable monthly.

The Authority received approximately \$0.5 million and \$1.3 million in revenues from its ground transportation-related arrangements (excluding rental income) and operations in Fiscal Years 2022 and 2023, respectively, as compared to \$4.3 million in Fiscal Year 2019 (pre-pandemic). Revenues from tour bus facility charges made up \$0.3 million and \$1.1 million of such ground transportation-related revenues in Fiscal Years 2022 and 2023, respectively, as compared to \$4.0 million in Fiscal Year 2019 (pre-pandemic). Such revenues in Fiscal Years 2022 and 2023 reflect the continued impact of the COVID-19 pandemic, as well as the impact of Typhoon Mawar, on the Airport. As of June 30, 2024, there were 75 tour bus operators, 106 taxicab companies and two transportation network companies operating at the Airport.

### **Other Agreements for Airport Facilities**

#### ***Passenger Terminal Leases***

In addition to the concession agreements described above, the Authority leases space in the passenger terminal pursuant to space leases (or holdover tenancies under the same terms as the expired space lease) to a number of entities, ranging from leases to banks providing ATM machines, to leases for tour company counters, to leases to the TSA and the Customs and Quarantine Agency for office and operations space and leases to other entities providing services at the Airport. The Authority received approximately \$5.5 million and \$5.3 million in revenues from these space leases in Fiscal Years 2022 and 2023, respectively, as compared to \$8.3 million in Fiscal

Year 2019 (pre-pandemic). Such amounts include approximately \$1.4 million and \$1.5 million from the Customs and Quarantine Agency for space in the passenger terminal building in Fiscal Years 2022 and 2023, respectively, as compared to \$2.4 million in Fiscal Year 2019 (pre-pandemic).

### ***Tiyan Business Park***

The Authority receives revenue from the Tiyan Business Park through ground leases with PacAir Properties, DHL, Triple B and CTSI and from space or ground leases with, or Airport Operating Permits issued to, other entities using the facilities located within the Tiyan Business Park. The Authority received approximately \$0.6 million per year in revenues from its ground leases with PacAir Properties, DHL, Triple B and CTSI in Fiscal Years 2022 and 2023, respectively, as compared to approximately \$0.6 million in Fiscal Year 2019 (pre-pandemic). The Authority also received approximately \$0.8 million per year in revenues pursuant to other arrangements for the use of facilities located in the Tiyan Business Park in Fiscal Years 2022 and 2023, as compared to approximately \$0.8 million in Fiscal Year 2019 (pre-pandemic).

In 2006, the Authority entered into a ground lease agreement with PacAir Properties to lease 540,000 square feet of land for constructing, maintaining and operating facilities suitable for air transportation services (the “**PacAir Integrated Cargo Terminal**”). Subsequent to the execution of the original ground lease, the Authority and PacAir Properties twice amended and restated the ground lease, including by executing the Second Amended and Restated Ground Lease Agreement, dated May 26, 2010 (as subsequently amended, the “**PacAir Ground Lease**”). As so amended, the initial term of the lease is 50 years, commencing on February 22, 2008. For every additional improvement PacAir Properties makes to the leased premises that exceeds \$2.5 million, PacAir Properties may exercise the option to renew for an additional 10 years, with the total term of the lease, including extensions, not to exceed 60 years. PacAir Properties may sublet portions of the PacAir Integrated Cargo Terminal, subject to the consent of the Authority. Approximately 98% of the PacAir Integrated Cargo Terminal is currently occupied. PacAir Properties currently is subletting 32,500 square feet of the PacAir Integrated Cargo Terminal to the Authority, and in turn, the Authority sub-leases a portion of the PacAir Integrated Cargo Terminal to Guam Customs to accommodate the Guam Customs cargo inspection facility and office.

Pursuant to an agreement for ground lease, dated July 1, 2007 (the “**Triple B Ground Lease**”), between the Authority and Magellan Holdings, L.L.C. (“**Magellan**”), Magellan leases 70,000 square feet of land for the purposes of constructing, maintaining and operating a multi-modal facility for air and ocean freight and related activities, the Triple B Forwarders Building. Magellan subleases the Triple B Forwarders Building Cargo Terminal to Triple B Forwarders (Guam), Inc. The Triple B Forwarders Building is currently used for handling sea freight and air cargo. The initial term is 20 years, commencing on July 1, 2007. Magellan may at its option to extend the term of the Triple B Ground Lease for an additional 10 years.

Pursuant to a ground lease agreement, dated December 12, 2008 (the “**CTSI Ground Lease**”), between the Authority and CTSI, CTSI leases 8,168 square meters of land for constructing, maintaining and operating facilities suitable for air and surface cargo import/export processing, the CTSI Freight Forwarding Terminal. The CTSI Freight Forwarding Terminal is used primarily by CTSI for distribution of its own products. The initial term of the lease is for 25 years, commencing on September 11, 2010. CTSI has the option to extend the initial term for an additional 15 years, subject to certain conditions, with the total term of the lease not to exceed 40 years.

The terms of the Pac Air Ground Lease, the Triple B Ground Lease and the CTSI Ground Lease are substantially similar. Under each ground lease, the lessees are required to pay specified monthly rent, which amount is to escalate by 10% (under the Pac Air Ground Lease and the CTSI Ground Lease) or by 20% (under the Triple B Ground Lease) every fifth year (and subject to additional adjustment for any term extensions), and to pay certain costs and expenses incurred by the Authority in connection with security, landscaping and off-premises lighting within and attributable to their respective leased premises. The ground leases also provided that if all or any part of the improvements are damaged or destroyed by fire or other casualty of any kind, the applicable lessee will be required at its own cost to repair or restore the improvements to the premises and that all insurance proceeds received as a result of damage to or destruction of the improvements are to be applied for such repairs or restoration.

The Authority may terminate any of the Pac Air Ground Lease, the Triple B Ground Lease or the CTSI Ground Lease if the Authority determines that the premises are needed for Airport construction or development. In

the event of such a termination, the Authority would be required to compensate the applicable lessee in accordance with the then-applicable eminent domain laws. The Authority may terminate the Pac Air Ground Lease, the Triple B Ground Lease and the CTSI Ground Lease, as applicable, under certain circumstances, including (i) if the applicable lessee makes any assignment for the benefit of its creditors, is decreed insolvent or bankrupt or if a receiver is appointed for the lessee; and (ii) any default by the lessee in any of the terms and conditions of the applicable ground lease (after the expiration of applicable notice and grace periods). In the event of any breach of such ground leases, the Authority may re-enter the property and, following such re-entry, may terminate the applicable ground lease or leave the ground lease in place and re-let any part or all of the premises subject to the applicable ground lease. If any such ground lease is terminated prior to its expiration date other than for a lessee default, the Authority may be required to reimburse the lessee for a portion of the unamortized net book value of the existing structural improvements (unless otherwise provided for in the applicable ground lease).

Pursuant to a lease agreement, dated as of February 1, 2004 (the “**DHL Ground Lease**”), between the Authority and DHL, DHL leases 7,551 square meters of land for the purposes of developing and operating a parcel express delivery service, the DHL Cargo Terminal. The DHL Cargo Terminal is used solely by DHL for express service. The initial term of the lease was 10 years, commencing in 2005, was extended twice at DHL’s option and now expires on September 30, 2025. The DHL Ground Lease may be extended at DHL’s option for one additional consecutive five-year period. The Authority receives both base rent and ground rent from DHL. Of the rent that is payable each month, the Authority agreed that approximately 80% of such monthly rent would represent DHL’s own cash contributions toward the cost of constructing improvements on the premises and would constitute capital investment on the part of DHL. In addition, DHL is required to pay certain costs and expenses incurred by the Authority in connection with security, landscaping and off-premises lighting within and attributable to the DHL Cargo Terminal.

If all or any part of the DHL Cargo Terminal is destroyed or damaged by fire or other casualty and such damage can be repaired and the premises restored and rendered tenantable within 90 days, the DHL Ground Lease will not be terminated, the Authority will be required to cause the repair and restoration of the improvements to the premises and to provide alternative premises to DHL, and DHL’s rent will be abated during the restoration period. If the Authority is unable to provide alternative premises, DHL may terminate the agreement. If such damage cannot be repaired and the DHL Cargo Terminal restored and rendered tenantable within 90 days, or if the costs exceed the insurance proceeds available to the Authority to pay for such repairs, then either the Authority or DHL may terminate the DHL Ground Lease.

At any time after July 1, 2009, DHL may terminate the DHL Ground Lease by (i) giving notice to the Authority at least 180 days prior to the effective date of termination, and (ii) payment to the Authority of a cancellation fee equal to the base rent that would have been payable by DHL to the Authority for the portion of the term commencing on the date of termination and ending on the last day of the initial term, discounted to present value using a discount rate of 10%. Under certain circumstances, including failure to pay rent, abandonment, assignment or other defaults (after giving effect to notice and cure periods), the Authority may terminate the DHL Ground Lease. Under certain circumstances, including damage to or destruction of all or a substantial portion of the DHL Cargo Terminal such that it is rendered incapable for use and the Authority has failed to repair the damage or provide for alternative premises, if DHL is required to vacate the DHL Cargo Terminal for a specified period of time or if the Authority breaches certain terms of the DHL Ground Lease, DHL may terminate the DHL Ground Lease.

### ***Airport Industrial Park***

Although the Airport Industrial Park is located on property owned by the Authority, not all of the businesses operating in the Airport Industrial Park are directly related to Airport operations. The Airport Industrial Park currently has three tenants operating pursuant to various ground leases, including a gas station and convenience store, a restaurant and a cargo warehouse facility. The Authority plans to solicit interest for a new building tenant in Fiscal Year 2025. The Authority received approximately \$1.1 million per year in revenues from its ground leases in the Airport Industrial Park in Fiscal Years 2022 and 2023, consistent with revenues received in Fiscal Year 2019 (pre-pandemic).

Pursuant to a Ground Lease, dated August 15, 1991 (the “**SPPC Ground Lease**”), between the Authority and South Pacific Petroleum Corporation (successor-in-interest to Esso Eastern Inc.) (“**SPPC**”), SPPC leases 5,709

square meters of land for the purposes of constructing and operating a motor vehicle service station and convenience store. The initial 30-year term of the SPPC Ground Lease expired on August 13, 2021. SPPC has the option to extend the SPPC Ground Lease for two successive 10-year periods, and has exercised its option to extend for the first 10-year period, which expires on August 13, 2031.

Pursuant to the SPPC Ground Lease, the rental rate at the end of each fifth year increases by 10% of the prior effective rate, subject to further adjustment for any extension. In addition, SPPC is required to pay to the Authority its allocable share of the monthly common area expenses of the Airport Industrial Park, including expenses for security, maintenance, landscaping, streetlights, road repair and utilities within or related to the Airport Industrial Park.

In the event of any damage to or destruction of the leased premises, including any building or other improvements, SPPC is required within 60 days to commence and diligently pursue the repair or reconstruction of such premises; provided, however, if such damage or destruction occurs during the last three years of the term and such damage or destruction renders the premises commercially unusable by SPPC, then SPPC may instead elect to terminate the SPPC Ground Lease by delivering or assigning to the Authority all insurance proceeds received or receivable by SPPC as a result of such damage or destruction and returning the leased premises (at SPPC's cost) to the same condition or better as it was at the commencement of the term of the SPPC Ground Lease.

Under certain circumstances, the Authority may terminate the SPPC Ground Lease and re-enter the property, including (i) any default under the SPPC Ground Lease (after giving effect to notice and cure periods); (ii) if SPPC is adjudicated a bankrupt or adjudged insolvent; (iii) SPPC makes an assignment for the benefit of its creditors or files a petition in bankruptcy for insolvency or reorganization or applies for an appointment or a receiver; or (iv) any execution or attachment issued against SPPC or its property and the leased premises are taken or occupied (or an attempt is made to take or occupy such premises) by someone other than SPPC, except as permitted under the SPPC Ground Lease. If SPPC is in breach of the SPPC Ground Lease and has abandoned the premises, the Authority may elect to not to terminate the SPPC Ground Lease, and SPPC would continue to be obligated to pay rent. The Authority may also re-enter and re-let the premises.

Pursuant to a Ground Lease Agreement, dated April 15, 2008 (as subsequently amended, the "**Marianas Ground Lease**"), between the Authority and Marianas Steamship Agencies, Inc. ("**Marianas Steamship**"), Marianas Steamship leases 8,109 square meters of land for the purposes of constructing, maintaining and operating a multi-modal facility for air and/or ocean freight and related activities. The initial term of the Marianas Ground Lease is 21 years and six months, beginning on March 1, 2009 and expiring on August 31, 2030, and Marianas Steamship has the option to extend the term for an additional term expiring on February 28, 2039. Construction of the facility was completed in August 2010.

In 2011, the Authority and IT&E Overseas, Inc. ("**IT&E**") entered into a Ground Lease Agreement, dated January 17, 2011, as amended by Amendment No. 1 Ground Lease Agreement (together, the "**IT&E Ground Lease**"), pursuant to which IT&E leases 4,091 square meters of land for constructing, maintaining and operating a restaurant facility and related activities. The initial term of the IT&E Ground Lease is 15 years, commencing on January 17, 2011 and expiring on January 16, 2026, and IT&E has the option to extend the term for two additional consecutive five-year periods. Pursuant to the IT&E Ground Lease, IT&E invested approximately \$3.5 million for the development, construction and equipping of the restaurant and related facilities. IT&E's obligation to pay rent under the IT&E Ground Lease began in September 2011, eight months after the commencement date.

The terms of the Marianas Ground Lease and the IT&E Ground Lease are substantially similar. Under each ground lease, the lessees are required to pay specified monthly rent, which amount escalates by 20% every fifth year (and subject to additional adjustment for any term extensions), and to pay certain costs and expenses incurred by the Authority in connection with security, landscaping and off-premises lighting within and attributable to their respective leased premises. The ground leases also provide that if all or any part of the improvements are damaged or destroyed by fire or other casualty of any kind, the applicable lessee will be required at its own cost to repair or restore the improvements to the premises and that all insurance proceeds received as a result of damage to or destruction of the improvements are to be applied for such repairs or restoration. The Authority may terminate the Marianas Ground Lease and the IT&E Ground Lease if the Authority determines that the premises are needed for

Airport construction or development. In the event of such a termination, the Authority would be required to compensate the applicable lessee in accordance with the then-applicable eminent domain laws.

The Authority may terminate the Marianas Ground Lease and/or the IT&E Ground Lease under certain circumstances, including (i) if the applicable lessee makes any assignment for the benefit of its creditors, is decreed insolvent or bankrupt or if a receiver is appointed for the lessee; and (ii) any default by the lessee in any of the terms and conditions of the applicable ground lease (after the expiration of applicable notice and grace periods). In the event of any breach of such ground leases, the Authority may re-enter the property and, following such re-entry, may terminate the applicable ground lease or leave the ground lease in place and re-let any part or all of the premises subject to the applicable ground lease. If either such ground lease is terminated prior to its expiration date other than for a lessee default, the Authority may be required to reimburse the lessee for a portion of the unamortized net book value of the existing structural improvements (unless otherwise provided for in the applicable ground lease).

The fuel farm for the Airport fuel system and the reservoir for the Airport water system are also located in the Airport Industrial Park. See “THE AIRPORT – Airport Facilities.”

#### ***Leases for Other Airport Facilities***

Other facilities at the Airport include the Light Aircraft Commuter Facility Building, aircraft hangars, warehouse and storage areas, a commuter terminal used primarily by Marianas Air Cargo Services for cargo operations and that has been converted in part to airline and aviation-services related offices and other facilities used as administrative buildings. The Authority receives revenues from these facilities either through space leases (or hold over tenancies under the same terms as the expired leases) or airport business permits. The Authority received approximately \$2.1 million per year in revenues for the use of these facilities in Fiscal Years 2022 and 2023, consistent with revenues received in Fiscal Year 2019 (pre-pandemic).

#### **Airport Tariff Schedule and Airport Business Permits**

The annual rental rates and fees for users of the Airport facilities are set forth in the Airport Tariff Schedule for the Fiscal Year, including the rates and charges to be paid by air carriers or other entities using Airport facilities other than pursuant to a lease or other agreement. As mentioned above, several businesses operate at the Airport pursuant to airport business permits that generally have one-year terms.

### **FINANCIAL INFORMATION**

#### **Historical Financial Results**

The following table summarizes the financial results from operations for the Authority for the Fiscal Years 2019 through 2023. See “APPENDIX C – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2023.”

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**Table 11**  
**A.B. Won Pat International Airport Authority, Guam**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Fiscal Years 2019-2023**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating revenues:					
Facilities and systems usage charges:					
Arrival facilities	\$ 8,347,102	\$ 3,320,638	\$475,611	\$1,432,759	\$3,440,035
Departure facilities	8,523,065	3,166,630	791,830	2,304,411	4,995,719
Immigration	2,992,580	1,141,757	87,865	455,453	1,346,089
Public apron	1,434,721	1,255,161	1,096,053	1,024,902	1,187,753
Passenger loading bridge	5,674,619	4,825,376	1,309,725	1,402,017	3,253,855
Landing fees	3,529,496	2,948,497	799,651	2,797,423	8,375,059 <sup>(1)</sup>
Utility recovery charge and other fees	589,105	630,898	477,492	700,154	824,646
Fuel flowage fee	251,570	242,016	261,792	242,143	379,300
Common use departure fees	--	--	--	183,371	203,435
Total facilities and systems usage charges	<u>\$31,342,258</u>	<u>\$17,530,973</u>	<u>\$5,300,019</u>	<u>\$10,542,633</u>	<u>\$24,005,891</u>
Concession fees:					
General merchandise	\$13,340,866	\$ 8,983,541	\$4,421,204	\$5,527,149	\$6,641,732
Ground transportation	4,056,595	1,869,800	(5,287)	407,880	1,129,610
Car rental	1,669,979	826,033	359,631	856,535	1,408,629
Food and beverage	1,084,172	577,059	115,867	400,001	772,627
In-flight catering	890,493	557,166	263,497	393,306	682,747
Other	1,180,076	664,102	355,030	5,152,459 <sup>(2)</sup>	(7,420,842) <sup>(2)</sup>
Total concession fees	<u>\$22,222,181</u>	<u>\$13,477,701</u>	<u>\$5,509,942</u>	<u>\$12,737,330</u>	<u>\$3,214,503</u>
Rental income:					
Operating space – airline	\$ 4,778,328	\$ 4,504,053	\$2,797,620	\$1,904,161	\$1,995,263
Operating space – non-airline	4,268,780	2,849,043	4,060,166	3,637,639	3,913,154
Other	3,774,343	3,816,917	3,696,941	3,860,340	5,100,665
Total rental income	<u>\$12,821,451</u>	<u>\$11,170,013</u>	<u>\$10,554,727</u>	<u>\$9,402,140<sup>(2)</sup></u>	<u>\$11,009,082<sup>(2)</sup></u>
Miscellaneous	\$ 2,566,926	\$ 982,110	\$ 1,808,568	\$508,505	\$1,961,444
Total operating revenues	<u><u>\$68,952,816</u></u>	<u><u>\$43,160,797</u></u>	<u><u>\$23,173,256</u></u>	<u><u>\$33,190,608</u></u>	<u><u>\$40,190,920</u></u>
Operating expenses:					
Contractual services	\$25,529,980	\$20,647,465	\$14,857,167	\$18,967,112	\$23,561,445
Personnel services	18,131,872	19,272,276	18,886,492	18,907,278	22,241,484
Materials and supplies	1,236,583	1,524,757	799,951	1,300,131	1,166,197
Total operating expenses	<u>\$44,898,435</u>	<u>\$41,444,498</u>	<u>\$34,543,610</u>	<u>\$39,174,521</u>	<u>\$46,969,126</u>
Income (loss) from operations before depreciation and amortization	<u>\$24,054,381</u>	<u>\$ 1,716,299</u>	<u>(\$11,370,354)</u>	<u>(\$5,983,913)</u>	<u>(\$6,778,206)</u>
Depreciation and amortization	<u>(28,071,895)</u>	<u>(27,236,732)</u>	<u>(29,198,113)</u>	<u>(31,247,534)</u>	<u>(32,873,078)</u>
Operating income(loss)	<u>(\$ 4,017,514)</u>	<u>(\$25,520,433)</u>	<u>(\$40,568,467)</u>	<u>(\$37,231,447)</u>	<u>(\$39,651,284)</u>
Non-operating income (expense):					
Passenger facility charge income	\$7,362,377	\$2,919,951	\$270,964	\$1,349,348	\$3,281,933
Interest income	2,472,916	1,818,696	762,933	818,954	1,351,070
Interest expense	(7,528,494)	(4,150,792)	756,281	(9,443,734)	(8,708,546)
Interest on leases	--	--	--	131,998 <sup>(2)</sup>	154,121 <sup>(2)</sup>
Other expenses, net	(3,071,554)	(6,533,361)	(2,421,257)	(3,651,843)	(2,616,556)
Operating Grants from the U.S. Government	415,108	15,102,146	20,442,607	24,206,136	2,071,462
Aviation fuel tax	--	--	--	--	6,782,872 <sup>(3)</sup>
Non-recurring expenses	(127,001)	(139,220)	--	--	(1,024,489) <sup>(4)</sup>
Total non-operating income (expense), net	<u>(\$ 476,648)</u>	<u>\$9,017,420</u>	<u>\$19,811,528</u>	<u>\$13,410,859</u>	<u>\$1,291,867</u>
Loss before capital grants	<u>(\$4,494,162)</u>	<u>(\$16,503,013)</u>	<u>(\$20,756,939)</u>	<u>(\$23,820,588)</u>	<u>(\$38,359,417)</u>
Capital Grants from the U.S. Government	<u>\$7,766,386</u>	<u>\$12,054,605</u>	<u>\$22,340,926</u>	<u>\$23,498,637</u>	<u>\$6,467,389</u>
Increase in net position	<u>\$3,272,224</u>	<u>(\$4,448,408)</u>	<u>\$1,583,987</u>	<u>(\$321,951)</u>	<u>(\$31,892,028)</u>
Net position at beginning of year	<u>\$281,488,284</u>	<u>\$284,760,508</u>	<u>\$280,312,100</u>	<u>\$281,896,087</u>	<u>\$281,574,136</u>
Net position at end of year	<u>\$284,760,508</u>	<u>\$280,312,100</u>	<u>\$281,896,087</u>	<u>\$281,574,136</u>	<u>\$249,682,108</u>

(footnotes begin on following page)

- (1) Increase in Fiscal Year 2023 due to a higher landing fee rate effective as of October 1, 2022, and significant increase in aircraft activity.
- (2) Reflects, in part, implementation of Governmental Accounting Standards Board No. 87 relating to long-term leases, which was implemented in Fiscal Year 2022. The accounting standard required the recording of the entirety of long-term operating leases in the implementation year. The GASB 87 adjustments are the effect of certain rent relief and extensions on applicable long-term leases. In Fiscal Years 2022 and 2023, “Other” concession fees included \$4.8 million and \$(8.0) million, respectively, related to the GASB 87 implementation. In Fiscal Years 2022 and 2023, “Other” rental income included \$(3,321) and \$1.3 million, respectively, related to the GASB 87 implementation.
- (3) Consists of revenues from aviation fuel tax collected by the Government of Guam since January 1, 2018, which were collectively recorded by the Authority in Fiscal Year 2023. Such amount has not yet been received by the Authority and a payment plan for such previously owed taxes on aviation fuel is currently pending FAA approval. See “CERTAIN FUNDING SOURCES – Aviation Fuel Tax.”
- (4) Includes non-recurring expenses in Fiscal Year 2023 related to Typhoon Mawar recovery cleanup, debris removal, water damage, and other repairs. See “THE AIRPORT – Aviation Activity – Typhoon Mawar.”

Source: Derived from the audited financial statements of the Authority.

## Historical Debt Service Coverage

The following table shows the Authority’s Annual Debt Service Coverage for the Fiscal Years ended September 30, 2019 through 2023. For purposes of determining compliance with debt service coverage requirement set forth in the Indenture, the Revenues are calculated by adding operating revenues, PFC revenue, certain interest income, amounts received pursuant to operating grants from the federal government and transfers from the Government of Guam – Office of Highway Safety and certain other non-operating revenue.

**Table 12**  
**A.B. Won Pat International Airport Authority, Guam**  
**Debt Service Coverage**  
**Fiscal Years 2019-2023**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Revenues <sup>(1)</sup>	\$78,057,017	\$62,599,909	\$44,505,782	\$54,733,873	\$60,364,071 <sup>(2)</sup>
Less: Operation and Maintenance Expenses	(44,991,443)	(42,659,019)	(35,767,648)	(42,438,343)	(48,076,913)
Net Revenues	\$33,065,573	\$19,940,890	\$8,738,134	\$12,295,530	\$12,287,158
Plus: Other Available Moneys <sup>(3)</sup>	5,968,250	3,393,565	1,729,676	2,018,555	6,847 <sup>(4)</sup>
Net Revenues and Other Available Moneys	\$39,033,823	\$23,334,455	\$10,467,810	\$14,314,085	\$12,294,005
Aggregate Annual Debt Service	\$23,873,000	\$13,574,260	\$ 6,918,703	\$8,074,221	\$7,264,857
Annual Debt Service Coverage (1.25x Required)	1.64x	1.72x	1.51x	1.77x	1.69x

- (1) Revenues as calculated in accordance with the Indenture. Includes operating revenues, PFC revenue, certain interest income, amounts received pursuant to operating grants from the federal government and transfers from the Government of Guam – Office of Highway Safety and certain other non-operating revenue.
- (2) Includes approximately \$6.8 million of revenues from aviation fuel tax collected by the Government of Guam since January 1, 2018, which were collectively recorded by the Authority in Fiscal Year 2023. Such amount has not yet been received by the Authority and a payment plan for such previously owed taxes on aviation fuel is currently pending FAA approval. See “CERTAIN FUNDING SOURCES – Aviation Fuel Tax.”
- (3) For any Fiscal Year, the amount designated by the Authority of unencumbered moneys on deposit in the Capital Improvement Fund at the end of the prior Fiscal Year, but in no event to exceed 25% of the Aggregate Annual Debt Service for such Fiscal Year.
- (4) The decrease in Fiscal Year 2023 is due to approximately \$2.1 million remaining in checking accounts instead of being transferred to the Capital Improvement Fund to be designated as “Other Available Moneys” by the end of the fiscal year.

Source: Derived from the audited financial statements of the Authority.

## Management’s Discussion of Fiscal Year 2024 (Year-to-Date) Financial Results.

For the first nine months of Fiscal Year 2024, the total number of passenger movements reached 1,490,506, 28.3% more than the 1,161,475 movements for the same period in Fiscal Year 2023. Enplanements, constituting 796,213 movements, represented 53.4% of the overall traffic, while arriving passengers comprised 46.6%. Airline partners transported over 7,179 metric tons of cargo and 11,131 metric tons of mail during this period.

During this period, the Airport's total operating revenues increased by 29.4% from \$35.0 million in the first nine months of Fiscal Year 2023 to \$45.2 million in the same period in Fiscal Year 2024. This increase in operating revenues is attributed to increases in facilities and systems usage charges by \$7.7 million, concession fees by \$1.5 million, rental income by \$1.2 million, as well as a decrease in miscellaneous revenues of \$0.1 million. The increase in facilities and systems usage charges and rental income are mainly attributed to increased passenger activity and airline rents and fees. The Airport's operating costs and expenses increased from \$32.8 million in the first nine months of Fiscal Year 2023 to \$34.7 million in the same period in Fiscal Year 2024 due to increases in personnel and contractual expenses.

### **Budgeting Process**

The Indenture requires that the Authority prepare and adopt an annual budget for each Fiscal Year. The Authority is required under the Airline Operating Agreements to adopt an annual budget for the Airport and to establish annually the terminal building rental rates, departure fee, arrival fee, immigration in section fee, loading bridge use fee, apron use fee and landing fee rates for the succeeding Fiscal Year. In April of each year, the Executive Manager requests all Signatory Airlines to submit their month to month projections of total landings for each type of aircraft and associated gross takeoff weight, as well as estimates of total revenue passengers, and each Signatory Airline is required to provide to the Authority on or before May 1 of each Fiscal Year a written estimate of the Maximum Certificated Gross Takeoff Weight for the Signatory Airline for the succeeding Fiscal Year.

In developing its annual budget, the Authority takes into account Operation and Maintenance Expenses, the annual debt service requirements for the Authority's outstanding Bonds (including amounts necessary to maintain the debt service coverage ratio required under the Indenture), required deposits to the funds and accounts established pursuant to the Indenture, amortization of assets funded by the Authority and a schedule of capital improvement projects. In addition, deposits to various funds and accounts established outside of the Indenture are included in the budget when approved by the Board of Directors. The Authority generates an estimate of revenues from sources other than Signatory Airline rental rates and fees and then prepares preliminary calculations of the rents and fees to be paid by the Signatory Airlines, determined in accordance with the Airline Operating Agreements. On or before July 1 of each year, the Authority is required to provide to the Signatory Airlines a proposed annual budget, including, among other things, a preliminary calculation of the rents and fees to be paid by the Signatory Airlines during such succeeding Fiscal Year. The Executive Manager is required to convene a meeting with the Signatory Airlines within 30 days after the proposed annual budget is transmitted, and the Signatory Airlines are given an opportunity to discuss the proposed annual budget with the Authority prior to its adoption.

The Authority endeavors to adopt the annual budget for the coming Fiscal Year no later than 30 days prior to the commencement of such Fiscal Year. The adjusted rents and fees become effective on the first day of the Fiscal Year for which they apply. In the event the annual budget has not been adopted by the Authority by the first day of the Fiscal Year, the rents and fees in effect during the preceding Fiscal Year will remain in effect until the annual budget is adopted. Upon the adoption of the annual budget, the new rents and fees will be made retroactive to the first day of the Fiscal Year. The Authority retains the responsibility and expressly reserves the right to make all final decisions with respect to the annual budget and any subsequent amendment thereof, consistent with and pursuant to the terms and conditions of the Airline Operating Agreements. The Authority adopted its budget for Fiscal Year 2025 on August 16, 2024.

See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS – Rate Covenant," "AGREEMENTS FOR THE USE OF AIRPORT PROPERTY – Airline Operating Agreements," "APPENDIX B – SUMMARY OF THE FORM OF SIGNATORY AIRLINE OPERATING AGREEMENT AND TERMINAL BUILDING LEASE" and "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE."

## Projected Debt Service Coverage

The following table sets forth the projected revenues, expenses, debt service and debt service coverage on the Bonds, including the 2024 Bonds, for Fiscal Years 2024 through 2028.

**Table 13**  
**Projected Annual Debt Service Coverage**  
**A.B. Won Pat International Airport Authority, Guam**  
**Fiscal Years Ending September 30<sup>(1)</sup>**  
**(in thousands)**

	2024	2025	2026	2027	2028
<b>Calculation of Net Revenues Available for Debt Service</b>					
Signatory Airline Revenue	\$ 31,751	\$ 41,797	\$ 44,753	\$ 47,885	\$ 51,237
Terminal Building Concession Revenue	17,896	21,026	22,396	23,964	25,641
Other Nonairline Revenue	10,454	10,179	10,890	11,653	12,468
PFC Revenue	3,976	4,727	5,058	5,412	5,791
Aviation Fuel Tax	1,658	1,780	1,926	2,061	2,205
Federal Reimbursement	344	400	400	400	400
<b>Total Revenues</b>	<b>\$ 66,079</b>	<b>\$ 79,909</b>	<b>\$ 85,423</b>	<b>\$ 91,375</b>	<b>\$ 97,743</b>
Less: Operation and Maintenance Expenses	(50,712)	(56,897)	(58,035)	(59,196)	(60,380)
Plus: Other Available Money	2,099	4,662	4,662	4,661	4,664
<b>Total Net Revenues &amp; Other Available Moneys<sup>(2)</sup></b>	<b>\$ 17,466</b>	<b>\$ 27,673</b>	<b>\$ 32,050</b>	<b>\$ 36,841</b>	<b>\$ 42,027</b>
<b>Calculation of Debt Service Coverage</b>					
Net Revenues & Other Available Moneys	\$ 17,466	\$ 27,673	\$ 32,050	\$ 36,841	\$ 42,027
Annual Debt Service <sup>(3)</sup>	\$ 11,851	\$ 18,648	\$ 18,648	\$ 18,645	\$ 18,655
<b>Debt Service Coverage Ratio</b>	<b>1.47x</b>	<b>1.48x</b>	<b>1.72x</b>	<b>1.98x</b>	<b>2.25x</b>

<sup>(1)</sup> Amounts for Fiscal Year 2024 are based on actuals for October-June 2024 and estimates for July-September 2024. Amounts for Fiscal Year 2025 are based on the Authority's Fiscal Year 2025 budget, approved by the Board of Directors on August 16, 2024. Amounts for Fiscal Years 2026-2028 are based on the Authority's projections.

<sup>(2)</sup> Totals may not add due to rounding.

<sup>(3)</sup> Total annual debt service has not been and will not be revised to reflect the final terms of the 2024 Bonds.

Source: The Authority.

## Retirement Fund and Other Post-Employment Benefits

**General.** The Government of Guam Retirement Fund (the "GGRF") provides retirement annuities and other payments to retired Government employees and their dependents, including Authority employees and their dependents. Employees hired on or before September 30, 1995, are members of the Government of Guam Employees Retirement System (the "DB Plan"). Employees hired after September 30, 1995, became members of the Defined Contribution Retirement System (the "DC Plan"). From April 1, 2017 to December 31, 2017 and from June 1, 2023 to December 31, 2023, eligible, active DC Plan members could elect to become members of the Defined Benefit 1.75 Retirement System (the "DB 1.75 Plan"). In addition, new employees hired on or after January 1, 2024 will become members of the DC Plan and eligible, active DC Plan members may elect to become a member of the DB 1.75 Plan within a certain timeframe of initial employment. The DB Plan, DC Plan, and DB 1.75 Plan are further described below.

**DB Plan.** The DB Plan is a single-employer defined benefit pension plan administered by the GGRF to which the Authority contributes based upon a fixed percentage of the payroll for those employees of the DB Plan. A single actuarial valuation is performed annually covering all DB Plan members, and the same contribution rate applies to each employer, including the Authority. Members of the DB Plan are required to contribute a certain percentage of their annual covered salary, which is currently 9.5%. The DB Plan member and employer contribution requirements are established by statute. According to the Government of Guam Retirement Fund Actuarial Valuation as of September 30, 2023 (the "2023 GGRF Valuation Report"), the most recent valuation report as of

the date of this Official Statement, there were a total of 933 active members (including 31 Authority employees), 7,201 retired members and 3,045 inactive members under the DB Plan as of September 30, 2023.

**DC Plan.** The DC Plan is a single-employer defined contribution pension plan administered by the GGRF. Contributions to the DC Plan by members are based on an automatic deduction of 6.2% of the member’s regular base pay starting on January 1, 2018. Contributions are deposited into each individual employees’ 401(a) account with the DC Plan. The default plan for all new Government employees, including Authority employees, is the DC Plan. According to the 2023 GGRF Valuation Report, there were a total of 7,697 active members (including 119 Authority employees) under the DC Plan as of September 30, 2023.

**DB 1.75 Plan.** The DB 1.75 Plan is a governmental defined benefit pension plan administered by the GGRF with an effective date of January 1, 2018. The DB 1.75 Plan members are required to contribute 9.5% of their base salary to the DB 1.75 Plan and 1% of their base salary to a Government deferred compensation plan. As described above under “– General,” certain existing employees and members of the DC Plan were provided an opportunity to participate in the DB 1.75 Plan in 2017. According to the 2023 GGRF Valuation Report, there were a total of 2,640 active members (including 75 Authority employees), 292 retired members and 16 inactive members under the DB 1.75 Plan as of September 30, 2023.

As further described above under “– General,” certain existing employees and members of the DC Plan currently have, and certain new employees and members of the DC Plan will have, an opportunity to participate in the DB 1.75 Plan.

**DB Plan and DB 1.75 Plan Annual Valuation Results.** The DB Plan’s unfunded actuarial accrued liability (“UAAL”) and funded ratio for Fiscal Years 2019-2023 are shown in the following table. The UAAL and funded ratio includes the DB 1.75 Plan.

**Table 14**  
**Unfunded Actuarial Accrued Liability and Funded Ratio of Defined Benefit Plans<sup>(1)</sup>**  
**Fiscal Years 2019 through 2023**  
**(in millions)**

<b>Fiscal Year</b>	<b>Accrued Liability</b>	<b>Actuarial Assets</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>
2019	\$3,221.3	\$2,066.0	\$1,155.4	64.13%
2020	3,228.1	2,053.9	1,174.2	63.62
2021	3,267.5	2,125.3	1,142.2	65.04
2022	3,236.6	2,063.6	1,173.0	63.76
2023	3,232.6	2,019.3	1,213.3	62.47

<sup>(1)</sup> Does not include Cost-of-Living Allowance and Supplemental Annuity Liability.  
Source: Government of Guam Retirement Fund Actuarial Valuation as of September 30, 2023.

Significant actuarial assumptions and methods used in the 2023 GGRF Valuation Report included: (a) the interest rate used to discount future benefit payments to the present and long term expected rate of return on plan assets of 7.0%; (b) the Entry Age Normal method; (c) total payroll growth of 2.50% per year; (d) 3-year phase-in of gains/losses relative to interest rate assumption; and (e) amortization of UAAL to an end date of May 1, 2033. According to the 2023 GGRF Valuation Report, and based on the GGRF 2023 Audited Financial Statements, the GGRF actuary calculated an investment return on the total market value of assets of 11.6% for the fiscal year ending September 30, 2023. The average annual return on the market value of assets has been 3.2% for the last five fiscal years. The investment return on the actuarial value of assets (recognizing investment gains and losses over a 3-year period) was 2.2% for the Fiscal Year ended September 30, 2023.

The GGRF is subject to GASB Statement No. 67; each participating employer, including the Authority, is subject to GASB Statement No. 68 (“**GASB 68**”). GASB 68 was incorporated into the Authority’s financial statements beginning in Fiscal Year 2015. For the Authority’s proportionate share of the GGRF’s net pension

liability and pension expense for Fiscal Year 2023, see “APPENDIX C – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2023, Note 7.”

**Contribution Rates.** Under Title 4, Chapter 8, Section 8137 of the Guam Code Annotated, as amended, the Government is required to completely fund the unfunded actuarial accrued liability by May 1, 2033. The actuarial employer contributions rates set forth in the annual valuations apply to the Fiscal Year beginning one year after the valuation date. Components of the actuarial employer contribution rates include percentages towards (1) the UAAL of the DB Plan and DB 1.75 Plan, (2) normal cost of the DB Plan and DB 1.75 Plan, and (3) contributions and expenses for the DC Plan.

Although the actuarial contributions rates are provided to the Guam Legislature by the GGRF in advance of each Fiscal Year and used for budget preparation, the Guam Legislature is not required to adopt such rates but has done so in recent years. The Government applies the same employer statutory contribution rate to all employees (*i.e.*, DB Plan members, DC Plan members, etc.). Of the amounts contributed by the employers under the DC Plan, an amount equal to 6.2% of the DC Plan member’s regular base pay starting on January 1, 2018, is deposited into the member’s individual annuity account; the remaining amount in excess of 6.2% starting on January 1, 2018, of the DC Plan member’s regular base pay is contributed towards the UAAL of the DB Plan. The following table sets forth the actuarial employer contribution rates and the statutory employer contribution rates for Fiscal Years 2019-2023:

**Table 15**  
**Employer Contribution Rates – Actuarial and Statutory<sup>(1)</sup>**  
**Fiscal Years 2019 through 2023**

Fiscal Year	Actuarial Rate	Statutory Rate
2019	26.97%	26.56%
2020	28.32	26.28
2021	28.43	26.97
2022	29.43	28.32
2023	30.77	28.43

<sup>(1)</sup> The actuarial employer contributions rates set forth in the annual valuations apply to the Fiscal Year beginning one year after the valuation date. For example, the actuarial contribution rate determined in the valuation report as of September 30, 2021 (Fiscal Year 2021) is applied for the Fiscal Year beginning October 1, 2023 (Fiscal Year 2023)  
*Source: Government of Guam Retirement Fund Actuarial Valuation as of September 30, 2023.*

In addition, the statutory rates for Fiscal Years 2024 and 2025 are 29.43% and 30.77%, respectively.

The following table sets forth the actual contributions made by the Authority to the DB Plan during Fiscal Years 2019 through 2023. Such amounts were equal to the required contributions for those years.

**Table 16**  
**Authority’s Contributions to DB Plan**  
**Fiscal Years 2019 through 2023**

Fiscal Year	Amount
2019	\$2,295,961
2020	2,218,740
2021	2,314,394
2022	2,379,736
2023	2,432,489

*Source: The Authority.*

The following table sets forth the actual contributions made by the Authority to the DC Plan, as well as the portion of such contributions that are applied to the unfunded liability of the DB Plan during Fiscal Years 2019 through 2023. Such amounts were equal to the required contributions for those years.

**Table 17**  
**Authority’s Contributions to DC Plan and DB Plan toward Unfunded Liability**  
**Fiscal Years 2019 through 2023**

Fiscal Year	DC Plan Amount	Portion of DC Plan Amount to DB Plan
2019	\$3,106,325	\$ 810,364
2020	3,390,951	1,172,211
2021	3,521,603	1,258,026
2022	3,841,957	1,462,221
2023	4,047,008	1,614,519

*Source: The Authority.*

**COLA and Supplemental Annuity Payments.** Public Law 25-72, passed in 1999, requires the payment of supplemental annuity and cost-of-living-allowance (“COLA”) benefits to retirees and specifies that these payments are to be vested, limited-duration benefits to be provided by the GGRF. Public Law 36-107 increased ad hoc COLA payments of \$2,000 per year to \$2,200 per year to retired DB Plan and DC Plan members and spouse survivors. In addition, supplemental annuity payments of \$4,238 (subject to an aggregate limitation of \$40,000 per year when combined with the member’s regular retirement annuity) have been provided to retired DB Plan members and survivors whose benefits commenced prior to October 1, 1995. These payments have been made outside of the GGRF trusts through annual allocations, and are anticipated to continue in future years. Effective Fiscal Year 2017 and pursuant to GASB Statement No. 73, the resultant actuarial liability relating to these payments have been included in the government-wide financial statements.

**Other Post-Employment Benefits.** The Government makes annual expenditures for certain postretirement healthcare benefits (“OPEB”) to retirees who are members of the GGRF. The Government provides medical, dental, and life insurance coverage. Prior to Fiscal Year 2020, the retiree medical and dental plans were fully-insured products provided through insurance companies. Starting in Fiscal Year 2020, the Government began to phase in policy self-insurance: dental in Fiscal Year 2020, pharmaceuticals in Fiscal Year 2022 and medical in Fiscal Year 2024. Benefits under the dental plan are capped at \$1,000 per subscriber. The Government shares in the cost of these plans, with its contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, the Government contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, the Government provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not contribute to the cost of this coverage. The OPEB unfunded actuarial accrued liability for the Government, including fiduciary funds and component units such as the Authority, was approximately \$2.67 billion for Fiscal Year 2022 (most recent data available), \$2.60 billion for Fiscal Year 2021, and \$2.52 billion for Fiscal Year 2020. The OPEB unfunded actuarial accrued liability allocated to the Authority was approximately \$49.2 million for Fiscal Year 2022, \$47.5 million for Fiscal Year 2021, and \$45.4 million for Fiscal Year 2020.

The OPEB plan is financed on a substantially “pay-as-you-go” basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due. The Authority is then required to reimburse the General Fund for the OPEB costs of the Authority’s retirees.

The following table sets forth the Government’s contributions from the General Fund for OPEB for Fiscal Years 2019-2023, as well as the Authority’s contributions to reimburse the Government for the OPEB costs of the Authority’s retirees (*i.e.*, medical, dental and life insurance).

**Table 18**  
**Government Contributions from General Fund for OPEB and**  
**Authority's Contribution to Reimburse OPEB**  
**Fiscal Years 2019 through 2023**

<b>Fiscal Year</b>	<b>Government Contributions<sup>(1)</sup></b>	<b>Authority's Contribution to Reimburse OPEB</b>
2019	\$30,569,444	\$502,180
2020	27,920,521	515,865
2021	32,565,557	463,603
2022	N/A <sup>(1)</sup>	529,407
2023	N/A <sup>(1)</sup>	651,561

<sup>(1)</sup> The Government contribution amounts for Fiscal Years 2022 and 2023 are not yet available.

*Sources: Extracted from Government of Guam Financial Statements for Fiscal Year 2022 and Authority's Audited Financial Statements for Fiscal Years 2023 and 2022.*

### **Risk Management and Insurance**

The Indenture requires that the Authority (i) maintain or cause to be maintained insurance on the Airport with responsible insurers in such amounts and against such risks (including accident to or destruction of the Airport) as are usually maintained by prudent operators of airports similar and similarly situated to the Airport so long as such insurance is available to the Authority on the open market from responsible insurers at reasonable cost and (ii) maintain such other insurance affording protection in such amounts and against such risks as are usually maintained by prudent operators of airports similar to the Airport, in either case, which the Authority deems advisable or necessary to protect the interests of the Authority and the Bondowners. The Authority may satisfy these insurance requirements through a self-insurance program so long as such self-insurance is maintained in the amounts and manner customarily maintained by prudent operators of airports similar to the Airport. The Authority is required to engage an insurance consultant every third year to review the Authority's self-insurance program and to make recommendations for any necessary modifications, including, but not limited to, any modifications necessary to comply with the Indenture.

The Authority maintains airport operator general liability insurance with coverage of \$500,000,000 for losses arising out of liability for airport operations, with a limit of \$25,000,000 for personal injury. The deductible is \$75,000 per occurrence for property damage. The Authority also maintains a property insurance policy for all risks with coverage up to \$200,000,000, including coverage up to \$5,000,000 for boiler and machinery losses and coverage up to \$5,000,000 for damage resulting from windstorms, typhoons or earthquakes. The deductible on the property insurance is \$450,000 per occurrence, no aggregate, increasing to \$5,000,000 for any one occurrence and in an annual aggregate for windstorm, typhoon or earthquake damage. The property insurance also includes coverage for business interruption at the Airport resulting from a covered event and with a 72-hour waiting period.

The Authority also maintains director and officer liability insurance with coverage up to \$4,000,000 per occurrence and in the aggregate for each person; automobile liability insurance with coverage up to \$2,000,000; worker's compensation insurance with coverage up to \$1,000,000; and employee crime insurance with coverage up to \$1,000,000.

The Authority has established a risk and loss management program to cover uninsured losses and/or deductibles. The Authority also maintains a deposit of \$1,000,000 in the Renewal and Replacement Fund, which is to be combined with funds on deposit in the Risk and Loss Management Fund for purposes of paying any uninsured losses. As of June 30, 2024, the balances in the Renewal and Replacement Fund and in the Risk and Loss Management Fund were approximately \$1.0 million and \$7.3 million, respectively.

## AIRPORT PLANNING

### Master Plan Update

In November 2021, the Authority retained a planning consultant to update the existing airport master plan. The primary goals of the master plan update include updating forecasts of aircraft and passenger activity; determining physical Airport facilities necessary to meet the Airport's future passenger and cargo needs; enhancing passengers' overall experiences of passing through the Airport; developing a terminal and cargo facilities plan that confirms the Authority's strategic vision; developing a landside plan that accommodates the loss of public parking expected to result from the widening of Route 10A; and expanding usable space within the terminal footprint to support an improved concessions program. A final draft of the airport master plan update has been completed and is currently pending review and approval of the airport layout plan by the FAA. The airport master plan update has been funded with an FAA planning grant.

### Airports Capital Improvement Plan

The national Airports Capital Improvement Plan (the "ACIP") is an FAA document that serves as the primary planning tool for identifying and prioritizing airport development and associated capital needs for the national airspace system. It also serves as the basis for the distribution of grant funds under the AIP. The FAA prepares the national ACIP annually based on regional airports capital improvement plans prepared from information provided by individual airports or state airport planning agencies on anticipated development needs over the next three- to five-years. The Authority is currently working with its regional airports office to revise the regional airport capital improvement plan with respect to the Airport's anticipated development needs for fiscal years 2025-2027, some of which will overlap with the Airport's airport master plan update. ACIP projects are funded with FAA and BIL grants.

### Capital Improvement Plan

Based on prior airport master plans and prior ACIPs, the Authority developed a multi-year capital improvement plan that focused on projects intended to increase capacity, facilitate passengers through the federal inspection service process and enhance customer safety and security. Below are key projects that were completed in Fiscal Years 2022 and 2023 and primary projects that are currently underway with planning, design or construction. The Authority does not currently plan to issue Additional Bonds to provide additional funds for any of these capital projects.

#### *Key Projects Completed in Fiscal Years 2022 and 2023*

- Third Floor International Arrivals Corridor with Seismic Upgrades. This project consisted of construction of a new international arrivals corridor that separates arriving non-TSA-screened passengers from departing TSA-screened passengers, as well as seismic upgrades to the passenger terminal building infrastructure to support the new Third Floor International Arrivals Corridor. The west concourse was completed and operational in December 2021, and the east concourse was completed and operational in April 2022. Total project costs were approximately \$135 million. Sources of funding for this project included proceeds from Prior Bonds, Authority funds and FAA grants.
- Runway 6L/24R Rehabilitation (Phase 1a and 1b). This project includes the rehabilitation and reconstruction of over 1,550 linear feet of runway (Phase 1a) and the rehabilitation and reconstruction of an additional 1,450 linear feet of runway (Phase 1b). Phase 1a and Phase 1b were completed in May 2022. Total project costs were approximately \$21 million. Sources of funding for this project included FAA grants (90%) and Authority funds (10%).
- Aircraft Rescue and Firefighting Facility. This project consists of construction of a new aircraft rescue and firefighting facility that will improve response time to potential emergencies. This project was substantially completed in July 2022. Total project costs were approximately \$23.4 million. Sources of funding for this project included FAA grants (90%) and Authority funds (10%).

- Runway 6L/24R Rehabilitation (Phase 2). This project includes the rehabilitation of over 4,000 linear feet of runway previously constructed using PCC pavement. Phase 2 was physically completed in March 2023. Total project costs were approximately \$5 million. Sources of funding for this project included FAA grants (90%) and Authority funds (10%).

#### ***Primary Projects Currently Underway***

- Part 150 Noise Study Update. This project is an update of the Authority’s Noise Compatibility Program, an ongoing project to provide for noise mitigation. The project will include an update of the noise exposure maps that will determine the scope of remediation. Drafts of the updated noise exposure maps are in final form and pending public review. The Authority anticipates the Noise Compatibility Program will be completed in 2025. Total planning costs are estimated to be approximately \$2.2 million. Sources of funding for this project are from FAA grants (90%) and Authority funds (10%). See also “AIRPORT ENVIRONMENTAL MATTERS – Noise Mitigation.”

- Cargo Apron/Fuel System Extension. This project includes constructing a cargo apron and connecting taxiway, and extending the Airport’s fuel system to service the Integrated Air Cargo Facility located approximately one-half mile west of the air terminal. Project design is currently 60% complete. Sources of funding for the design component of this project are from FAA grants (90%) and Authority funds (10%).

- Apron and Taxiway Rehabilitation. This project includes rehabilitating over 1.5 million square feet of parking/apron areas and the Kilo taxiway in front of the terminal and airfield. The project will enable the Airport to maintain its capacity and to increase the safety and efficiency of aircraft and ground support equipment operations, personnel activities, passenger movements and airport servicing. As of July 2024, notice to proceed has been issued for three of four phases. Total project costs are estimated to be approximately \$40 million. The source of funding for this project is anticipated to be AIP grants from the FAA. To date, the FAA has awarded \$31 million for this project. See “CERTAIN FUNDING SOURCES – Federal Funding.”

- Terminal Roof Replacement. This project includes two phases. Phase 1 includes replacing a deteriorating roofing system. Phase 2 includes adding solar renewable energy. Construction bids for Phase 1 have been received and are currently under evaluation. Total project costs are estimated to be approximately \$47 million. The source of funding for these two phases is anticipated to be Airport Terminals Program funds under the BIL. The FAA has selected Phase 1 for funding in the amount of \$21.4 million under the Airport Terminals Program provided under the BIL. See also “CERTAIN FUNDING SOURCES – Federal Funding – *Infrastructure Investment and Jobs Act (Bipartisan Infrastructure Law)*.”

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## AIRPORT ENVIRONMENTAL MATTERS

The Authority is required to comply with a number of federal and local laws and regulations. Several significant environmental matters have direct and indirect impacts on the Authority and the Airport, including aircraft noise mitigation and hazardous substance clean up, some of which are described below. A significant portion of the Authority's property has been used in the past for a variety of industrial and military purposes, resulting in environmental contamination. The Authority's financial statements include accrued liabilities, which are established, reviewed and adjusted periodically, in accordance with applicable accounting standards, for the estimated costs of compliance with environmental requirements and remediation of known contamination. As required by GASB 49, as of September 30, 2023, the Authority estimated that its pollution remediation obligations to be approximately \$55,996. The Authority may discover additional environmental liabilities in the future, which would be reflected in adjustments to liabilities on the Authority's financial statements in accordance with GASB 49 and would affect Authority operating expenses. See "APPENDIX C – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2023, Note 10."

### Airport Water System

In Fiscal Year 2012, the Authority completed the construction of the initial phases and upgrades to the Airport's water system, including construction of a new reservoir in the Airport Industrial Park, and commissioned the operation of a new water system. The Authority undertook the improvements to the water system to provide for an independent source of water to support Airport activities, to accommodate future growth at the Airport, to accelerate the groundwater remediation at the former Naval Air Station (as described below) and to address fire suppression concerns at certain Airport facilities. The Airport's water system, including the remedial facilities described below, is currently being operated and maintained by the Guam Waterworks Authority ("GWA") pursuant to the terms of an operating agreement that is currently operating on a month-to-month basis. The Authority is currently negotiating a long-term operating agreement with GWA pursuant to which GWA will operate and maintain the water system, including undertaking certain of the Authority's groundwater remediation responsibilities described below under "– Groundwater Remediation at Former Naval Air Station."

The Authority, the Navy and the EPA are currently in discussions regarding firefighting foam. Per- and polyfluoroalkyl substances ("PFAS") have been historically used in aqueous film-forming foams ("AFFFs") for fighting liquid fuel fires. Fluorine-free foams are foams for fighting liquid fuel fires that do not contain any PFAS. The Authority is phasing out AFFFs and transitioning to fluorine-free foams. The Authority is in the process of applying for FAA funds to study the mitigation of PFAS in the groundwater utilizing the granular activated carbon ("GAC") treatment system. The initial program includes GAC replacement and possibly reusing and testing protocols for PFAS levels at the wells, reservoir and in the GAC material.

See "APPENDIX C – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2023, Note 10."

### Groundwater Remediation at Former Naval Air Station

As mentioned above, in September 2000, the United States Navy transferred to the Authority and the Government of Guam approximately 1,417 acres on the former Naval Air Station through the Public Benefit Transfer conveyance. Pursuant to an Environmental Services Cooperative Agreement, dated as of September 26, 2000 (the "**Environmental Services Agreement**"), among the Authority, the Government of Guam and the United States Government, the Authority and the Government of Guam assumed responsibility for the completion of certain environmental response actions with respect to the transferred property addressing groundwater contamination at Operable Unit beneath Naval Air Station ("**OU3**") in exchange for a one-time, lump sum payment of \$10,000,000 by the United States Navy. The Authority's obligations under the Environmental Services Agreement include, among other things, construction, operation and maintenance of certain remedial facilities, installation of GAC treatment systems, and long-term review and monitoring of the wells. The Decision Document, dated June 2018 (the "**OU3 Decision Document**"), sets forth the selected remedy for addressing groundwater contamination at OU3. Under the OU3 Decision Document, the Authority will also be required to conduct a five-year review to ensure that the remedial action taken is or will be protective of human health and the environment. In addition, the GAC treatment system requirement has been satisfied by the GAC system included as part of the Airport's new water

system. The Authority expects to incorporate its obligation to operate and maintain the remedial facilities and to conduct certain monitoring activities into the long-term operating agreement to be negotiated with GWA for the operation and maintenance of the Airport's water system. See "THE AUTHORITY – Termination of Joint Use Agreement and Transfer of the Naval Air Station, Agana" and "APPENDIX C – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2023, Note 10."

### **Noise Mitigation**

In November 2003, the FAA approved a Noise Compatibility Program (the "NCP") developed by the Authority in response to the FAA's Federal Aviation Regulation Part 150, Airport Noise Compatibility Planning. As part of the NCP, the Authority created the Residential Sound Solutions Program (the "RSSP") to reduce aircraft related noise levels for residents in the highest noise impacted areas surrounding the Airport and developed a noise exposure map (the "2003 Noise Exposure Map") that, among other noise mitigation measures, identified approximately 500 residences in the highest noise impacted areas surrounding the Airport. Between 2003 and 2018, under the RSSP, the Authority provided sound insulation to approximately 237 residences. In exchange for such sound insulation improvements, the Authority received voluntary avigation easements from homeowners. In 2018, the FAA directed the Authority to conduct new noise measurement studies to verify that the remaining 263 residences initially identified as part of the 2003 Noise Exposure Map constitute high noise impact areas, and to identify any additional residences that constitute high noise impact areas. In February 2019, the FAA directed the Authority to suspend providing sound insulation to residences in high noise impacted areas under the RSSP while the Authority updated its NCP, including the 2003 Noise Exposure Map (such update, the "Part 150 Noise Study Update"). The RSSP is currently on hold pending completion of the Part 150 Noise Study Update. Drafts of the updated noise exposure maps are in final form and pending public review. The Authority anticipates the NCP will be completed in 2025.

### **Environmental Sustainability**

The Authority is committed to environmental sustainability and has established several energy savings and sustainability initiatives. First, the Authority's terminal roof replacement project is planned to include renewable energy using solar panels which is expected to provide approximately 1.6 megawatts of power. See "AIRPORT PLANNING – Capital Improvement Plan – *Primary Projects Currently Underway* – Terminal Roof Replacement." The Authority is also committed to reducing carbon emissions and fostering sustainable transportation. Through the FAA's zero emissions vehicle program, the Authority plans to initiate fleet electrification with seven electric vehicles and four charging stations. Moreover, the Authority has commenced an energy efficiency study to identify additional opportunities for reducing energy consumption and enhancing the Airport's energy-saving measures. Finally, the Authority is exploring the development of a micro-grid planning study for centralized transmission and distribution of all power sources, including the strategic use of backup batteries.

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## CERTAIN INVESTMENT CONSIDERATIONS

The following discussion of considerations is not meant to be an exhaustive list of the risks associated with the purchase of the 2024 Bonds and does not necessarily reflect the relative importance of the various risks. Potential purchasers of the 2024 Bonds are advised to consider the following factors, among others, and to review all of the other information in this Official Statement in evaluating whether to purchase the 2024 Bonds. Any one or more of the risks discussed, and others, could lead to a decrease in the market value and/or in the liquidity of the 2024 Bonds. No assurance can be given that other risk factors will not become material in the future. The 2024 Bonds may not be suitable investments for all persons. Prospective purchasers should be able to evaluate the risks and merits of an investment in the 2024 Bonds and should confer with their own legal and financial advisors before considering a purchase of the 2024 Bonds.

### General

The principal of and interest on the Bonds, including the 2024 Bonds, are payable pursuant to the Indenture solely from the Revenues. The ability to pay debt service on the Bonds, including the 2024 Bonds, will depend on receipt by the Authority of sufficient Revenues, pledged as payment for the Bonds, subject to the provisions of the Indenture.

The Authority's ability to generate sufficient Revenues depends upon sufficient levels of aviation activity and passenger traffic at the Airport. Aviation activity and passenger traffic depend on several factors, many of which are not within the Authority's control. To the extent the Authority is unable to make up for Revenue shortfalls, the ability to pay debt service on the Bonds, including the 2024 Bonds, may be adversely affected.

### Guam Economy; Impact of Tourism and U.S. Military Presence

The Authority's ability to generate Revenues depends in large measure on the local economy, which is heavily dependent on tourism and the U.S. military presence, both of which are dependent on world economic, social and political events.

**Tourism.** Tourism represents a significant share of the economic activity on Guam and is the major source of airline passenger traffic at the Airport. Historically, the tourism industry and airline passenger traffic, both worldwide and on Guam, has correlated closely with the state of the world's economies and levels of real disposable income. A weak economy, war, epidemic outbreaks, natural disasters or the threat of terrorist activity, among other influences that are beyond the Authority's control, can adversely affect the tourism industry. For example, the outbreak of COVID-19 in calendar year 2020 had a significant impact on the tourism industry. See "APPENDIX A – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – COVID-19 Pandemic" and "– GEOGRAPHIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Guam Tourism Industry." Currency exchange rates, trade balances, political relationships, and conflicts within and between countries are also increasingly important influences on tourism and passenger traffic at major international airports.

Economic, social and political conditions in South Korea, Japan and throughout the Pacific Rim, and the resulting effect on overseas travel from these countries, are a major determinant of tourism on Guam and airline traffic at the Airport. Total visitor arrivals decreased from a high of approximately 1.6 million in Fiscal Year 2019 to a low of approximately 61,000 in Fiscal Year 2021 due primarily to the COVID-19 pandemic. Total visitor arrivals from South Korea and Japan decreased from approximately 1.4 million in Fiscal Year 2019 to a low of approximately 5,500 in Fiscal Year 2021, resulting in significantly reduced revenues to the Airport during this period. Any continued or future significant downturn in tourism, including a downturn related to South Korean or Japanese economic conditions or social policies, may result in reduced collection of Revenues. While Guam Visitors Bureau expects visitor arrivals to rebound as the pandemic continues to subside, no assurance can be given that Guam will not experience continued reductions in the number of visitors from South Korea, Japan and other visitor markets because of the COVID-19 pandemic or other economic, social or political conditions. See "– Worldwide Health Concerns" below and "APPENDIX A – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GEOGRAPHIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Guam Tourism Industry."

In April 2024, the Authority implemented its Air Service Development Incentive Program, with the objective of stimulating international and domestic passenger air service to the Airport, increasing aeronautical and non-aeronautical revenue streams, and reducing costs per enplaned passenger at the Airport. The program is aligned with the FAA's final policy statement regarding incentives offered by airport sponsors to air carriers for improved air service, effective December 7, 2023. The program provides for discounts up to 50% on applicable operational rates, offering incentives to new entrant carriers, year round or seasonal direct air service providers, and incentives for incumbent carriers to add new routes.

See “– Uncertainties Relating to Political and Military Action” and “APPENDIX A – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GEOGRAPHIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Guam Tourism Industry.”

***U.S. Military Presence.*** Guam's economy and the Authority's level of Revenues are also affected by the U.S. military presence on Guam, including arrivals through the Airport by military and civilian visitors and contractors. The U.S. military presence affects economic activity on Guam in various ways, such as through individuals' demand for commercial, construction and other services. Expansions in the U.S. military presence, such as the expansions expected to occur over the next several years, can also have a direct, positive impact on the Guam economy and the Authority's level of Revenues by spurring new economic activity and attracting visitors to Guam. However, economic, geopolitical, and other influences that are beyond the Government and the Authority's control might result in a decision by the U.S. government to reduce the existing presence of the U.S. military on Guam or forego some or all of the planned enhancements to its presence on Guam.

Based on the 2015 Supplemental Environmental Impact Statement and 2015 Record of Decision, which have not been updated since their initial publication, the U.S. Department of Defense planned to relocate approximately 5,000 military personnel and 1,300 dependents to Guam over a 12-year period, which was expected to increase the military population on Guam by approximately 50% over levels at that time. The population increase was expected to peak at 9,721 people in calendar year 2023, including military personnel, dependents, construction and civilian personnel associated with the military realignment, and gradually reach a steady state of 7,411 people by calendar year 2028 as construction declines and construction personnel leave Guam. However, based on reports from the Defense Manpower Data Center, the highest number of military personnel on Guam since December 2015 was 11,638 in September 2022 (an increase of 2,254 military personnel since December 2015). The number of military personnel on Guam has since decreased to 10,523 in March 2024. If the U.S. military changes its current plans with respect to staffing and other strategic improvements on Guam or if the planned population increase does not materialize, expected benefits may not be realized and the economy and the Authority's level of Revenues could be adversely affected. If the U.S. military elects to reduce or eliminate its presence on Guam, the economy and the Authority's level of Revenues could decline. See “APPENDIX A – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GEOGRAPHIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Military Activity.”

***H-2B Visas.*** The anticipated relocation of U.S. Marines from Okinawa, Japan and other economic projects has generated and is expected to continue to generate a significant amount of additional construction activity on Guam. The construction industry is heavily dependent on skilled foreign workers that require H-2B visas to work on Guam. As of August 12, 2024, there were approximately 5,479 individuals with H-2B visas on Guam. From time to time, the U.S. Citizenship and Immigration Service has changed, amended or modified its policies with respect to approval of H-2B visas. Future approval of new H-2B visas or extensions of existing H-2B visas is uncertain and could impact future military construction, public infrastructure and private sector projects on Guam. The National Defense Authorization Act for federal fiscal year 2021 included a provision that specifically allows Guam to bring in H-2B workers for civilian projects, which had not been allowed in previous years. For more information regarding the status of H-2B visas, see “APPENDIX A – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GEOGRAPHIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Guam Economy – H-2B Visas.”

## **Worldwide Health Concerns**

A pandemic, epidemic or outbreak of an infectious disease can have significant adverse health and financial impacts on global and local economies, including Guam and the Airport. For example, the outbreak of Severe Acute

Respiratory Syndrome (SARS) in 2003 led to temporary declines in passenger traffic at the Airport in Fiscal Year 2003. In addition, the COVID-19 pandemic has significantly impacted Guam's economic activity and Airport Revenues. In addition to certain direct impacts on the operations and finances of the Authority, the COVID-19 pandemic had significant and varied impacts on general economy activity at the local, national and global levels, including supply chain and labor market disruptions. Such disruptions, among other effects, resulted in increases in materials, labor and other costs across a wide number of sectors, as well as delays in delivery of projects and equipment. The Authority has experienced, and may in the future experience, increases in certain costs, such as for bulk chemical supplies, and delays in the delivery of equipment as a result of a disruption of supply chains from the COVID-19 pandemic. Additionally, such disruptions may result in schedule delays for the Authority's capital projects or increased costs for such projects.

See "APPENDIX A – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – COVID-19 Pandemic" and "– GEOGRAPHIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Guam Tourism Industry."

### **Uncertainties Relating to Political and Military Action**

Guam is approximately 3,800 miles west-southwest of Honolulu, Hawaii, the nearest major city of the U.S. The significant U.S. military presence on Guam, its distance from locations in the U.S. and its location in relation to potential sites of political and military conflict in Asia make Guam both a location of great value to the U.S. militarily and a potential site of military conflict. Political events in Asia may create the risk of conflict for the region in general and, in some cases, for Guam. In response to threats in 2013 by North Korea to launch ballistic missile attacks against U.S. military targets, including targets on Guam, the U.S. military deployed a missile defense system to Guam. Threats by North Korea in August 2017 contributed, in part, to the declining number of tourists visiting Guam in Fiscal Year 2018, which was approximately 2.0% below the total number of tourists in Fiscal Year 2017. No assurance can be given that these threats and any future military actions will not have an adverse effect on Guam tourist activity or that any decline in the total number of tourists will have an adverse effect on the Authority's Revenues.

### **Demand for Air Travel**

The Bonds, including the 2024 Bonds, are payable solely from Revenues, and the amount of Revenues depends primarily on the level of aviation activity and passenger traffic at the Airport. The level of aviation activity and enplaned passenger traffic at the Airport depend upon a number of factors, many of which are outside the control of the Authority, including, among others, economic and political conditions, such as the population, levels of disposable income and the nature, level and concentration of industrial and commercial activity in the service area; international hostilities; world health concerns, such as the COVID-19 pandemic; natural disasters; aviation security concerns, including terrorism; accidents involving commercial passenger aircraft; airline service and routes; airline airfares and competition; airline industry economics, including labor relations, fuel prices, aging aircraft fleets and other factors discussed under "– Financial Condition of the Airlines"; capacity of the national air traffic control and airport system; reliability of air service; and the capacity, availability and convenience of service at the Airport. Changes in demand, decreases in aviation activity and their potential effects on passenger traffic at the Airport may result in reduced Revenues.

### **Airport Capacity and Operating Restrictions in Japan and Other Key Markets**

Prior to the outbreak of the COVID-19 pandemic, airports in Japan and throughout the Pacific Rim were among the most congested in the world. Increased demands by the airlines on the capacity of airports and air traffic control systems in the Pacific Rim have resulted in aircraft delays and restrictions on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. In addition, opposition to aircraft noise has resulted in curfews on aircraft operations at certain airports, including Tokyo Narita International Airport. As travel continues to rebound following the COVID-19 pandemic, these restrictions may affect the scheduling of flights to and from the Airport.

## Financial Condition of the Airlines

The ability of the Authority to generate Revenues depends, in large part, upon the financial health of the airlines serving the Airport and the airline industry as a whole. The economic condition of the aviation industry is volatile, and the aviation industry has undergone significant changes in recent years, including mergers, acquisitions, bankruptcies and closures. For example, in November 2020, Korean Air announced plans to acquire Asiana Airlines. This proposed merger remains subject to regulatory approval and other conditions and the Authority cannot predict what impact such merger will have on airline traffic at the Airport. Air Busan and Air Seoul, which remain Signatory Airlines, are subsidiaries of Asiana Airlines. See also “THE AIRPORT – Air Carriers Serving the Airport.”

Further, the aviation industry is sensitive to a variety of factors, including (i) the cost and availability of labor, fuel, aircraft, supplies and insurance; (ii) general economic conditions; (iii) international trade; (iv) currency values; (v) competitive considerations, including the effects of airline ticket pricing; (vi) traffic and airport capacity constraints; (vii) governmental regulation, including security regulations and taxes imposed on airlines, and passengers and maintenance and environmental requirements; (viii) passenger demand for air travel; (ix) strikes and other union activities; (x) availability of financing; (xi) disruptions caused by natural disasters, airline accidents, criminal incidents and acts of war or terrorism; and (xii) world health concerns such as the COVID-19 pandemic. The COVID-19 pandemic and the economic impacts thereof had a significant and adverse impact on the demand for air travel and the airline industry.

Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are heavily influenced by the state of the local, national and global economies, security concerns and other factors. Structural changes to the industry also result from the impact of low cost carriers, internet travel websites and reorganization following bankruptcy or insolvency. In addition, outside of the United States, many countries have wholly or partially privatized their national airlines, and certain air service agreements have been liberalized, which has resulted in increased competition. Other airlines have changed their business practices, including reducing or eliminating service on unprofitable routes, reducing their work forces, implementing pay cuts, reducing fares, deferring aircraft deliveries, streamlining operations, merging with other airlines and significantly increasing the use of smaller, regional jets.

Efforts of airlines to stimulate traffic by significantly discounting fares have affected consumer expectations regarding airfares. In addition, airfares have become easier to compare, which has made pricing and marketing among airlines more competitive.

The price of fuel has been a significant cost factor for the airline industry. According to Airlines for America (formerly known as the Air Transport Association of America), fuel has overtaken labor as the industry’s top cost. Some of the airlines that sought airline bankruptcy protection in the past have cited high fuel prices as a contributing factor. While some airlines have hedged fuel prices through the purchase of oil future contracts, the substantial increase in fuel prices has had a significant impact on profitability, and future fuel price increases or sustained higher prices could continue to affect the financial condition of airlines and the level of service they provide. Increases in fuel prices have also caused airlines to increase airfares and to institute fuel, checked baggage and other extra surcharges, all of which may have a negative effect on the demand for air travel.

The airline industry is highly cyclical and is subject to intense competition, high operating and capital costs and varying demand. Passenger volumes are highly sensitive to several factors, including those described above under “– Demand for Air Travel.” Airlines are vulnerable to fuel price spikes, labor activity, seasonal travel patterns, economic recession and external shocks, such as terrorism, world health concerns such as the COVID-19 pandemic, military conflicts and natural disasters. As a result, financial performance can fluctuate dramatically from one reporting period to the next.

The Authority makes no representation with respect to the continued viability of any of the carriers serving the Airport, airline service patterns or the impact of any airline failures on Revenues.

## **Effect of Possible Bankruptcies**

The bankruptcy of an airline or concessionaire with significant operations at the Airport could have a material adverse effect on operations of the Airport and on Revenues.

In the event of a bankruptcy of an airline or concessionaire operating at the Airport, the rights and remedies of the Authority, including its rights and remedies under its agreements with the bankrupt airline or concessionaire, may be delayed, limited, or eliminated. The Authority may not be paid the amounts it is owed by the bankrupt airline or concessionaire and the claims of the Authority for unpaid amounts may be delayed, limited, or eliminated. A bankrupt airline may not be required to turn over to the Authority PFCs that the bankrupt airline has collected. The 2024 Bondowners may be required to return to the bankrupt airline or concessionaire as preferential transfers any money that was used to make payments on the 2024 Bonds and that was received from the bankrupt airline or concessionaire during the 90 days (or in some cases, one year) immediately preceding the filing of the bankruptcy petition. The occurrence of any of these events may result in delays or reductions in payments on the 2024 Bonds, or other losses with respect to the 2024 Bonds, and such delays, reductions, or losses could be substantial.

There may be delays in payments on the 2024 Bonds while a court considers any of these issues. There may be other possible effects of a bankruptcy of an airline or concessionaire that could result in delays or reductions in payments on the 2024 Bonds, or result in other losses on the 2024 Bonds. Regardless of any specific adverse determinations in an airline or concessionaire bankruptcy proceeding, the fact of an airline or concessionaire bankruptcy proceeding could have an adverse effect on the liquidity, value, or price of the 2024 Bonds.

## **Effect of Authority Insolvency**

Should the Authority become insolvent, there could be a material adverse effect on operations of the Airport and on Revenues, resulting in delays or reduction in payments on the 2024 Bonds, or in losses to the holders of the 2024 Bonds.

## **United Airlines – The Airport’s Largest Carrier**

There is risk associated with the potential for an airline to reduce or discontinue service when the airline accounts for a sizable market share of the enplanements at the airport. In Fiscal Year 2019 (pre-pandemic), United Airlines accounted for approximately 36.4% of airline market share of enplaned passengers at the Airport. While most airlines operating at the Airport suspended or terminated service as a result of the COVID-19 pandemic, United Airlines continued providing service throughout the pandemic, operating “lifeline” flights for medical and emergency response personnel and essential cargo service of medical supplies, equipment and perishable foods. United Airlines accounted for a high of 85.3% of airline market share of enplaned passengers at the Airport in Fiscal Year 2021. For the first nine months of Fiscal Year 2024, United Airlines has returned to pre-pandemic levels, accounting for approximately 37.8% of airline market share. See “THE AIRPORT – Aviation Activity – *Air Carrier Market Share*.” The Authority believes United Airlines is committed to serving Guam and expanding its Guam based hub operations. Most recently, United Airlines launched daily non-stop flights to Haneda Airport in Tokyo, Japan, on May 1, 2024, and announced a new Tokyo-Cebu service utilizing Guam based air equipment and crew to begin in the third quarter of 2024. However, the Authority cannot predict the effect that a reduction or discontinuation of service by United Airlines would have on the Authority or Revenues, or whether another airline would be able to provide the service previously provided by United Airlines in the event of a such a reduction or discontinuation of service.

## **Litigation Regarding the Duty Free Concession**

Following a competitive solicitation process that began in 2012 (the “**2012 Procurement**”), the Authority awarded the duty free concession to Lotte and executed the concession agreement with Lotte on May 18, 2013. Another bidder, DFS Guam L.P. (“**DFS**”), submitted three protests (collectively, the “**DFS Protests**”) to the Authority challenging the concession award to Lotte, each of which the Authority denied. Lotte commenced concession operations on July 21, 2013.

In 2014 and 2015, following remand from the Supreme Court of Guam (the “**Guam Supreme Court**”), DFS filed three lawsuits in the Superior Court of Guam (the “**Superior Court**”) appealing the Authority’s denial of the DFS Protests and raising new causes of action based on claims that were alleged for the first time in the lawsuits and not presented in the original DFS Protests. All three lawsuits have been consolidated (collectively, the “**Concession Protest Lawsuit**”). The Superior Court issued various decisions and orders in 2018, including an amended judgment in July 2018 that (i) voided the 2012 Procurement, (ii) voided and set aside the original Lotte Concession Agreement, (iii) concluded that the Authority violated Guam’s procurement law by failing to stay the award of the 2012 Procurement and entering into the Lotte Concession Agreement before final resolution of the DFS Protests and (iv) concluded that the Authority violated its enabling statute by entering into the Lotte Concession Agreement without first adopting non-airline lease and concession policies (collectively, the “**2018 Judgment**”). The Superior Court also stayed enforcement of the 2018 Judgment pending appeals. DFS and the Authority both appealed to the Guam Supreme Court.

In December 2020, following rehearing, the Guam Supreme Court issued an Amended Opinion on Rehearing and an Amended Judgment (the “**Amended Opinion**”). The Amended Opinion reversed in part, affirmed in part and vacated in part the Superior Court’s decisions and orders, vacated the 2018 Judgment, and remanded the case to the Superior Court for further proceedings. The Amended Opinion also directed judgment in favor of the Authority on eight of DFS’s causes of action that were either based on claims not timely protested to the Authority or claims not previously protested to the Authority, and therefore not administratively exhausted. Accordingly, the Lotte Concession Agreement remains in effect and valid. See “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Terminal Building Concessions and Revenue Arrangements – *Duty Free Concession*.”

In 2023, the Superior Court ordered a bifurcated trial. Phase 1, which was limited to determining whether each of DFS’s remaining claims in the Concession Protest Lawsuit were timely protested under Guam’s procurement law, commenced in August 2023. In February 2024, the Superior Court issued its findings, concluding that all of the remaining claims in the Concession Protest Lawsuit were timely protested and, therefore, an automatic stay of the award of the 2012 Procurement should have been in place until there was final resolution of the DFS Protests (the “**Phase 1 Findings**”). Phase 2 of the trial, which will determine the merits of the remaining claims in the Concession Protest Lawsuit, is scheduled to commence on September 4, 2024.

The Concession Protest Lawsuit seeks, among other relief, (i) a declaration that the Authority improperly awarded the Concession Agreement to Lotte and denied the DFS Protests; (ii) an order voiding the amended Lotte Concession Agreement and barring Lotte from participating in future solicitations; (iii) the appointment of a special master to oversee the issuance of future solicitations; (iv) and an award of certain fees and costs related to DFS’s bid and the DFS Protests. At this time, the Authority cannot determine the extent to which the Lawsuit will result in penalties or affect the Authority’s current operations. The Authority intends to vigorously defend the action and to appeal the Phase 1 Findings following the conclusion of the case. It is not known when the ongoing Concession Protest Lawsuit will end and whether the litigation will impact the solicitation of a new duty free concessionaire.

See “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Passenger Terminal Building Concessions and Revenue Arrangements – *Duty Free Concession*” and “APPENDIX C – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2023, Note 8 and Note 10.”

### **No Acceleration; Limitations on Remedies**

The 2024 Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation on the occurrence or continuance of an Event of Default. Upon the occurrence or continuation of an Event of Default, a Bondholder would only be entitled to principal and interest payments on the 2024 Bonds as they come due. Under certain circumstances, Holders of the 2024 Bonds may not be able to pursue certain remedies or enforce covenants contained in the Indenture. The remedies available to the Holders of the 2024 Bonds upon an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing law, the remedies specified by the Indenture and the 2024 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2024 Bonds (including Bond Counsel’s approving opinion) will be qualified, as to enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors.

## **Considerations Regarding Passenger Facility Charges**

Pursuant to the PFC Act, the FAA has approved the Authority's application to require the airlines to collect and remit to the Authority a passenger facility charge on each enplaning revenue passenger at the Airport. The Authority expects to use PFC revenues to pay a portion of the debt service on 2024 Bonds.

No assurance can be given that PFC revenues will actually be received in the amounts or at the times contemplated by the Authority. The amount and timing of receipt of actual PFC revenues are expected to vary depending on actual levels of qualified passenger enplanements at Airport. See "– Demand for Air Travel" above.

In addition, the FAA may terminate the Authority's ability to impose PFC revenues, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Act or the regulations promulgated thereunder, or (b) the Authority otherwise violates the PFC Act or regulations. The Authority's authority to impose passenger facility charges may also be terminated if the Authority violates certain AIP grant assurances and certain provisions of the Airport Noise and Capacity Act ("ANCA") and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the Authority's authority to impose passenger facility charges would not be summarily terminated. No assurance can be given that the Authority's authority to impose passenger facility charges will not be terminated by Congress or the FAA, that the passenger facility charge program will not be modified or restricted by Congress or by the FAA so as to reduce PFC revenues available to the Authority or that the Authority will not seek to decrease the amount of the passenger facility charges to be collected.

In the event the FAA or Congress reduced or terminated the Authority's ability to collect PFC revenues, or passenger facility charge collections were otherwise less than anticipated, the Authority would need to use other Revenues to pay debt service that it expects to pay with PFC revenues.

## **Future Capital Projects**

The Authority's capital improvement plan is based on identified improvements, current cost and timing estimates. The actual costs and schedules of projects are subject to change due to, among other factors, inflation, increased borrowing costs and the availability of labor and supplies, which may result in significantly higher costs than currently estimated. There may be additional capital improvement needs beyond what has been identified in the capital improvement program that are necessary to address the needs of the Airport, improvements to repurpose facilities, and improvements that are deemed to provide an economic or environmental benefit. There is no guarantee that capital investments will generate new revenues or revenues sufficient to offset costs. Any such future borrowing, if executed on the same lien as the Bonds, would be required to meet the Indenture's requirements for issuing Additional Bonds.

## **Typhoons, Earthquakes and Other Natural Disasters**

Because of its location on the southern end of the Marianas Islands chain, Guam is exposed to periodic typhoons, super typhoons and earthquakes. Most recently, Typhoon Mawar struck Guam on May 24, 2023. See "THE AIRPORT – Aviation Activity – *Typhoon Mawar*." Typhoons have caused significant damage to facilities and infrastructure on Guam, including its water and electric systems. Guam's relatively small size, and the concentrated location of many of Guam's businesses in Tumon Bay, means that it is possible that a natural disaster could adversely affect numerous businesses at the same time. To counter this risk, Guam has taken numerous precautions to protect the island in the event of certain weather and seismic related events. Building codes in Guam are specifically designed to ensure that structures are able to sustain strong typhoon winds and earthquakes. To that end, the vast majority of the building structures on Guam are constructed of reinforced concrete or masonry and construction on Guam is governed by the International Building Code (the same standard used in most seismically active regions of the United States). The Guam National Weather Service also monitors tropical storms, and warnings are generally issued in advance of any weather-related event. Businesses also typically have preparations in place for typhoon season. In addition, over the last 10 years much of the power distribution system in the Tumon area has been "hardened" (*i.e.*, replacement of wooden poles with concrete poles, relocating power lines underground and including back-up generators at all hotels) to avoid any major interruptions in business activity

should a natural disaster hit. Although FEMA has historically provided disaster relief assistance after significant typhoon and earthquake damage, there can be no assurance that future typhoons or earthquakes will not cause significant damage on Guam, including to the Airport, or that FEMA will provide disaster relief assistance if significant damage is experienced. There can also be no assurance that, even with FEMA assistance, damage that results from future typhoons or earthquakes will not adversely affect business activity the number of visitors to Guam and/or operations at the Airport and, as a result, Revenues.

### **Climate Change and Risk of Sea-Level Rise and Flooding Damage**

Potential impacts of climate change, including rising sea levels, excessive rainfall, stronger tropical storms, drought, ocean acidification, coral bleaching, salt water intrusion, storm surges, rising temperatures and increased migration, may threaten Guam's security and resources, and may have detrimental socioeconomic impacts to Guam. The Government has started systemwide coordination and long-range planning efforts to mitigate the potential adverse environmental and socioeconomic impacts of climate change. For more information regarding these efforts, see "APPENDIX A – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GEOGRAPHIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Climate Change and Risk of Sea-Level Rise and Flooding Damage."

The Airport is located approximately 301 feet above sea level. Although the Authority believes there is minimal risk of damage to the Airport's facilities as a result of sea-level rise or other impacts of climate change, there can be no assurance that any such damage and/or the impacts of climate change will not adversely affect the number of visitors to Guam, the Airport's business activity and/or the operations at the Airport, which may, in turn, adversely affect the Authority's Revenues.

### **Aviation Security Concerns**

Like that of many destinations, Guam's tourism industry is susceptible to the negative impacts of terrorism and other conflicts on the travel industry in general. Concerns about the safety of airline travel and the effectiveness of security precautions may influence passenger travel behavior and air travel demand, particularly in light of existing international hostilities, potential terrorist attacks and world health concerns. Since the September 11, 2001 terrorist attacks and the hostilities in Afghanistan and Iraq, intensified security precautions have been instituted by government agencies, airlines and airport operators. In April 2023, the TSA issued a mandate for airports to randomly screen aviation workers entering certain terminal building access points, effective September 2023. The Authority has implemented such screening requirements at the Airport.

Current and future security measures may create significantly increased inconvenience and delays at the Airport and may adversely affect the Authority's operations, expenditures and revenues. The Authority cannot predict whether the Airport will be a target of terrorists in the future. The Authority also cannot predict the effect of any future government-required security measures on passenger activity at the Airport.

### **Geopolitical Considerations**

Geopolitical conflicts and acts of war may cause disruptions to the global economy, including disruptions that affect air, maritime, and other transportation modes. Conflicts may impact the aviation industry by preventing access to airports in or around areas of unrest, by causing airline schedule and routing changes, and by increasing passenger anxieties about air travel. Conflicts such as Russia's invasion of Ukraine in 2022 and the conflict between Hamas and Israel beginning in 2023 may also lead to increased volatility in fuel and other commodity prices, challenges in sourcing needed materials, changes in supply, demand or pricing due to export restrictions and sanctions, and additional supply chain risks.

### **Cybersecurity**

The Authority relies on a complex technology environment to conduct its operations and faces multiple cybersecurity threats, including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other networks and systems (collectively, "Systems Technology"). As a recipient and provider of

personal, private or sensitive information, the Authority may be the target of cybersecurity incidents that could result in adverse consequences to the Airport's Systems Technology, requiring a response action to mitigate the consequences.

Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Airport's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. Cybersecurity breaches could damage the Airport's Systems Technology and cause material disruption to the Authority's finances and operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the Authority to material litigation and other legal risks which could cause the Authority to incur material costs related to such legal claims or proceedings.

To mitigate the risk of business operations impact and damage from cybersecurity incidents or cyber-attacks, the Authority invests in cybersecurity and operational safeguards, including training and awareness programs and phishing simulations. In addition, in compliance with cybersecurity requirements issued by the TSA in March 2023, the Authority has implemented performance-based cybersecurity measures on critical systems and plans to conduct table top cybersecurity exercises on an annual basis to test the Authority's response to and recovery from cybersecurity threats and attacks. However, no assurance can be given by the Authority that such measures will ensure against cybersecurity threats and attacks.

In addition, the airlines serving the Airport and other Airport tenants may also face cybersecurity threats that could affect their operations and finances.

Separate from the Authority, the Government has an in-house cybersecurity team that detects and responds to cybersecurity threats. The Government's cybersecurity team reports to the Guam Homeland Security Advisor (the "Guam HSA") and the Mariana Regional Fusion Center Director (the "MRFC Director"). The Guam HSA and MRFC Director oversee the management of a chief information security officer's cybersecurity program and initiatives to ensure compliance and protection from cybersecurity threats. In addition, the Government is currently working with the National Governors Association on strategies to enhance cybersecurity.

### **Uncertainties of Projections and Assumptions**

This Official Statement contains certain assumptions, estimates, projections and other forward-looking statements. Demonstration of compliance by the Authority with certain of the covenants contained in the Indenture also may be based upon assumptions, estimates and projections. Actual results, however, may differ, perhaps significantly, from those projected. In addition, certain assumptions with respect to future business and financing decisions, including the decision to undertake, or to postpone or cancel, future capital improvements of the Airport may not occur and are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the existence of any particular future set of facts or circumstances, and prospective purchasers of the 2024 Bonds are cautioned not to place undue reliance upon any forecasts, estimates, plans or projections or requirements for forecasts or projections. If actual results are less favorable than the results projected or if the assumptions used in preparing projections prove to be incorrect, the ability of the Authority to make timely payment of the principal of and interest on the Bonds, including the 2024 Bonds, may be materially and adversely affected.

### **Regulations and Restrictions Affecting the Airport**

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including extensive federal legislation and regulations, including, without limitation, the provisions of the Airport Operating Agreements, terminal leases, various grant assurances, the federal acts authorizing the imposition, collection and use of PFC revenues and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the September 11, 2001 terrorist attacks, the Airport also was required to implement enhanced security measures mandated by the FAA, the TSA, the Department of Homeland Security and Airport management.

It is not possible to predict whether future restrictions or limitations on operations at the Airport will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport or to pay debt service on the Authority's Bonds, including the 2024 Bonds, or whether such restrictions or legislations would adversely affect Revenues.

### **Local Law Affecting Airport**

From time to time legislation is proposed in the Guam Legislature that could potentially impact operations at the Airport, the manner in which the Authority conducts its business and the generation of Revenues. No assurance can be given that future legislation enacted by the Guam Legislature will not have an adverse effect on Airport operations or on the Authority's business operations and the generation of Revenues.

### **Federal Law Affecting Airport Rates and Charges**

In general, federal aviation law requires that airport fees and charges to airlines and other aeronautical users be reasonable and that to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. The Authority is not aware of any formal dispute involving the Airport over any existing rates and charges. The Authority believes that the rates and charges methodology it utilizes and the rates and charges it imposes are reasonable and consistent with applicable law. There can be no assurance, however, that a complaint will not be brought against the Authority in the future, challenging such methodology and the rates and charges established by the Authority. If a judgment is rendered against the Authority, there can be no assurance that rates and charges paid by aeronautical users of the Airport will not be reduced. An adverse determination in a challenge could limit the ability of the Authority to charge airlines and other aeronautical users rates sufficient to meet the Rate Covenant in the Indenture and could have a material adverse effect on the receipt of Revenues.

### **Rate Covenant Limitations**

The Authority has covenanted in the Indenture to fix, prescribe and collect rents, fees and charges in connection with the services and facilities furnished by the Airport sufficient to satisfy the Rate Covenant. The Indenture provides that if Revenues and Net Revenues in a Fiscal Year were to fall below the levels necessary to meet the Rate Covenant for such Fiscal Year, the Authority would be obligated to engage an Airport Consultant and to revise such rates, fees and charges or methods of operation and to take such other actions as may be in conformity with such recommendations, subject to applicable requirements or restrictions imposed by law and subject to a good faith determination of the Board of Directors that such recommendations, in whole or in part, are in the best interests of the Authority, the Owners and each Credit Provider, if any. The ability of the Authority to increase rates and charges and to reduce expenses is limited by, among other things, federal law (including the provisions thereof described under “– Regulations and Restrictions Affecting the Airport”) and certain agreements with airlines and other users of Airport facilities. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant” and “AGREEMENTS FOR THE USE OF AIRPORT FACILITIES.”

### **Continuing Compliance with Tax Covenants; Changes in Law**

The Indenture and the Authority's tax certificate will contain various covenants and agreements on the part of the Authority that are intended to establish and maintain the tax-exempt status of interest on the 2024 Bonds. A failure by the Authority to comply with such covenants and agreements, including any remediation obligations, could, directly or indirectly, adversely affect the tax-exempt status of interests on the 2024 Bonds. Any loss of tax-exemption could cause all of the interest received by the Beneficial Owners of the 2024 Bonds to be taxable. All or a portion of interest on the 2024 Bonds also could become subject to federal and/or other income tax as a result of changes of law. See “TAX MATTERS.” The Authority is not required to redeem the 2024 Bonds should the interest become taxable.

## AIRLINE INDUSTRY INFORMATION

Certain of the airlines operating at the Airport, or their respective parent corporations, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, file reports and other information with the Securities and Exchange Commission (the “SEC”). Certain information, including financial information, concerning such domestic airlines, or their respective parent corporations, and such foreign airlines is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected and copied at the public reference facilities maintained by the SEC, which can be located by calling the SEC at 1-800-SEC-0330. The SEC maintains a website containing reports, proxy statements and other information regarding registrants that file electronically with the SEC. In addition, each airline is required to file periodic reports of financial aid and operating statistics with the United States Department of Transportation (“U.S. DOT”). Such reports can be inspected at the U.S. DOT’s Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from U.S. DOT at prescribed rates.

Airlines serving the Airport owned by foreign governments or foreign corporations operating airlines serving the Airport (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Such foreign airlines, or foreign corporations operating airlines, file limited information only with the U.S. DOT.

*The Authority undertakes no responsibility for and makes no representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or U.S. DOT as described in this section or (ii) any material contained on the SEC’s website as described in this section, including, but not limited to, updated information on the SEC website or links to other internet sites accessed through the SEC’s website. Any such information is not part of this Official Statement nor has such information been incorporated by reference herein, and such information should not be relied upon in deciding whether to invest in the 2024 Bonds.*

See also “CERTAIN INVESTMENT CONSIDERATIONS” for discussions regarding the financial condition of the airlines and the effects of airline bankruptcies on the Authority.

## LITIGATION

### **No Litigation Relating to the 2024 Bonds**

There is no litigation or proceeding, pending (with service of process having been received by the Authority or otherwise known to counsel to the Authority) or, to the knowledge of such counsel, threatened (either in local or federal courts on Guam) seeking to restrain or enjoin the execution, issuance, sale or delivery of the 2024 Bonds or the Authority’s general legal authority to collect, pledge or pay Revenues under the Indenture, or in any way contesting or affecting the legal existence of the Authority or the titles of certain relevant officials of the Authority to their offices or the validity or enforceability of the 2024 Bonds or the Indenture.

### **Other Litigation Relating to the Authority and the Airport**

From time to time, the Authority is a party to litigation and is subject to claims arising out of its normal course of business and operations. Litigation relating to a specialty retail merchandise concession award by the Authority in 2013 is described under “CERTAIN INVESTMENT CONSIDERATIONS – Litigation Regarding the Duty Free Concession.” At this time, there is no other pending litigation relating to the Authority or the operations or business pertaining to the Authority or the Airport that would reasonably be expected to have a material impact on Revenues or the operations of the Airport.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2024 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), except that no opinion is expressed as to the status of interest on any 2024 Bond for any period that such 2024 Bond is held by a “substantial user” of the facilities financed or refinanced by the 2024 Bonds or by a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel is of the further opinion that interest on the 2024B Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 2024A Bonds is a specific preference item for purposes of the federal individual alternative minimum tax, and that interest on the 2024 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel is also of the opinion that, under 48 U.S.C. Section 1423a, interest on the 2024 Bonds is exempt from taxation by the Government of Guam, or by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2024 Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the 2024 Bonds is less than the amount to be paid at maturity of such 2024 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2024 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2024 Bonds which is excluded from gross income for federal income tax purposes and exempt from taxation by the Government of Guam, or by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia. For this purpose, the issue price of a particular maturity of the 2024 Bonds is the first price at which a substantial amount of such maturity of the 2024 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2024 Bonds accrues daily over the term to maturity of such 2024 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2024 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2024 Bonds. Beneficial Owners of the 2024 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2024 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2024 Bonds in the original offering to the public at the first price at which a substantial amount of such 2024 Bonds is sold to the public.

2024 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“**Premium Bonds**”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2024 Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2024 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2024 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2024 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the 2024 Bonds may adversely affect the value of, or the tax status of interest on, the 2024 Bonds.

Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2024 Bonds is excluded from gross income for federal income tax purposes and, under 48 U.S.C. Section 1423a, is exempt from taxation by the Government of Guam, or by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2024 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2024 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2024 Bonds. Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2024 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2024 Bonds ends with the issuance of the 2024 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the 2024 Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2024 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2024 Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

Payments on the 2024 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of 2024 Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the 2024 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2024 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

## UNDERWRITING

The 2024 Bonds are to be purchased from the Authority by Barclays Capital Inc. (the “**Underwriter**”) pursuant to the terms of the Bond Purchase Agreement between the Underwriter and the Authority. The purchase price of the 2024A Bonds is \$50,765,680.62, representing the aggregate principal amount of the 2024A Bonds (\$47,170,000.00), plus an original issue premium of \$3,918,929.60, and less Underwriter’s discount of \$323,248.98. The purchase price of the 2024B Bonds is \$22,709,437.56, representing the aggregate principal amount of the 2024B Bonds (\$20,640,000.00), plus an original issue premium of \$2,210,880.40, and less Underwriter’s discount of \$141,442.84. The Bond Purchase Agreement provides that the Underwriter will purchase all of the 2024 Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval by counsel of certain legal matters. The obligation of the Underwriter to accept and pay for the 2024 Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters.

The Underwriter reserves the right to join with dealers and other underwriters in offering the 2024 Bonds to the public. The Underwriter intends to offer the 2024 Bonds for sale at the prices or yields set forth on the inside cover page hereof. Such initial public offering prices or yields may be changed from time to time by the Underwriter without prior notice. The Underwriter may offer and sell the 2024 Bonds to certain dealers, unit investment trusts or money market funds at prices lower than or at yields higher than the public offering prices or yields stated on the inside front cover page.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its respective affiliates may have, from time to time, performed, and may in the future perform, various investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority, including the Purchased Bonds.

In addition to its role as Underwriter, Barclays Capital Inc. is also serving as Dealer Manager on the Invitation. The Purchased Bonds will be purchased by the Authority under the terms of the Invitation through the Dealer Manager as described herein. The Dealer Manager has entered into an exclusive dealer manager agreement with the Authority under which the Dealer Manager will be compensated in an amount equal to a percentage of the aggregate principal amount of the Purchased Bonds. The Dealer Manager’s fee will be paid from proceeds of the 2024 Bonds. See “PLAN OF REFUNDING.”

## CERTAIN LEGAL MATTERS

The validity of the 2024 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is attached as APPENDIX E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by its counsel, Calvo Jacob & Pangelinan LLP, Hagåtña, Guam, and for the Underwriter by their counsel, Hawkins Delafield & Wood LLP, Portland, Oregon. Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, will provide certain other legal services for the Authority,

## VERIFICATION

Robert Thomas CPA LLC (the “**Verification Agent**”) will verify from the information provided to them by Authority and the Underwriter the mathematical accuracy at the Closing Date of the computations contained in the

provided schedules to determine the principal of and interest on the Purchased Bonds to be refunded with proceeds of the 2024 Bonds. The Verification Agent will express no opinion on the reasonableness of the assumptions provided to them, or the likelihood that the redemption price and principal of and interest on such Purchased Bonds will be paid as described in the accompanying schedules.

### **MUNICIPAL ADVISOR**

Montague DeRose and Associates, L.L.C. (the “**Municipal Advisor**”) has assisted the Authority with various matters relating to the planning, structuring and issuance of the 2024 Bonds. The Municipal Advisor is a financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

### **FINANCIAL STATEMENTS**

The audited financial statements of the Authority for the Fiscal Years ended September 30, 2023 and September 30, 2022 included in APPENDIX C have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing therein.

### **AVAILABLE INFORMATION**

During the initial offering period for the 2024 Bonds, copies of the Authority’s audited financial statements are available from the Authority, P.O. Box 8770, Tamuning, Guam, 96931, and copies of the Indenture may be obtained, upon written request, from the Underwriter.

### **RATING**

Moody’s Investors Service (“**Moody’s**”) has assigned its rating of “Baa2” to the 2024 Bonds. The rating reflects only the views of Moody’s, and an explanation of the significance of the rating may be obtained from Moody’s. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by Moody’s 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 2024 Bonds.

### **CONTINUING DISCLOSURE**

Pursuant to the Continuing Disclosure Agreement (the “**Continuing Disclosure Agreement**”) between the Authority and Digital Assurance Certification, L.L.C. (“**DAC**” or the “**Dissemination Agent**”), the form of which is attached to this Official Statement as APPENDIX F, the Authority will covenant for the benefit of the holders of the 2024 Bonds to provide its annual financial statements and certain financial information and operating data relating to the Authority by not later than 180 days after the end of the Fiscal Year (currently September 30) to which such information pertains, commencing with the Fiscal Year ending September 30, 2024 (each, an “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events. The Annual Reports and the notices of enumerated events are to be filed with the Municipal Securities Rulemaking Board through its EMMA system. The specific nature of the information to be contained in the Annual Reports and in the notices of enumerated events is described in the form the Continuing Disclosure Agreement in APPENDIX F hereto. The Authority is making these covenants for the benefit of the holders and Beneficial Owners of the 2024 Bonds and to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5), as amended from time to time (“**Rule 15c2-12**”).

The Authority designates DAC as the Dissemination Agent in the Continuing Disclosure Agreement. Pursuant to the Continuing Disclosure Agreement, the Dissemination Agent has only the duties specifically set forth in the Continuing Disclosure Agreement. The Dissemination Agent’s obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Authority has provided such information to the Dissemination Agent as required by the Continuing Disclosure Agreement.

The Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Continuing Disclosure Agreement. The Dissemination Agent has no duty or obligation to review or verify any information in the annual report, audited financial statements, notice of notice event or voluntary report, or any other information, disclosures or notices provided to it by the Authority and is not to be deemed to be acting in any fiduciary capacity for the Authority, the Bondholders or any other party. The Dissemination Agent has no responsibility for the Authority's failure to report to the Dissemination Agent a notice event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Authority has complied with the Continuing Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the Authority at all times.

On March 26, 2020, prior to the due date of the Annual Report for Fiscal Year 2019 (the "**2019 Annual Report**"), the Authority caused to be filed a notice indicating that the 2019 Annual Report would not be timely filed due to COVID-19 and the related closure of non-essential Government offices, including the Authority's office, effective March 16, 2020. The 2019 Annual Report was subsequently filed on April 27, 2020.

In addition, on March 28, 2023, and March 20, 2024, prior to the due dates of the Annual Report for Fiscal Year 2022 and Fiscal Year 2023, respectively, the Authority caused to be filed notices indicating that the audited financial statements for such Fiscal Years would not be timely filed due to pending actuarial valuations for the Government of Guam Retirement Fund and the Government of Guam OPEB plan, which were outside of the Authority's control. Unaudited financial statements for such Fiscal Years were not filed. The audited financial statements for Fiscal Year 2022 were filed on September 8, 2023, and the audited financial statements for Fiscal Year 2023 were filed on June 24, 2024.

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**MISCELLANEOUS**

The attached appendices are integral parts of this Official Statement and should be read in their entirety. The Authority has reviewed the information contained herein and has approved all such information for use in this Official Statement.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

A.B. WON PAT INTERNATIONAL AIRPORT  
AUTHORITY, GUAM

By: \_\_\_\_\_ /s/ John M. Quinata  
John M. Quinata  
Executive Manager

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## APPENDIX A

### GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM

Guam is the westernmost territory of the United States of America (the “U.S.”), as well as the largest and southernmost island of the Marianas archipelago, and the largest of the 2,000 islands in Micronesia. Located at 13 degrees north latitude, 144 degrees east longitude in the western Pacific Ocean, the island is about 30 miles long and varies from four to nine miles wide, with a total land area of approximately 212 square miles. Guam is approximately 3,800 miles west-southwest of Honolulu, Hawaii, 1,550 miles south-southeast of Tokyo, Japan and 1,600 miles east of Manila, Philippines. The Mariana Trench, which has the deepest known ocean depth (36,070 feet), extends from northeast to southwest of Guam. The U.S. Census Bureau estimated Guam’s population in 2020 was approximately 153,836 (the most recent date for which such information is available).

Guam was first settled approximately 4,000 years ago. Its strategic location in the western Pacific historically made it a desirable property for the world’s superpowers. The indigenous Chamorro people first came in contact with Europeans in 1521 when Ferdinand Magellan landed at Guam’s Umatac Bay. Miguel Lopez de Legazpi claimed the island for Spain in 1565. Spanish colonization of Guam began in 1668 and lasted until the end of the Spanish-American War in 1898. As outlined in the Treaty of Paris, signed in December 1898, Guam was ceded to the U.S. along with Cuba, Puerto Rico and the Philippines. Guam has since remained under U.S. administration, except for two and a half years of Japanese occupation during World War II. On July 21, 1944, U.S. forces recaptured Guam and reestablished a naval government. In 1950, the U.S. Congress passed the Organic Act of Guam 48 U.S. Code 1421 (the “**Organic Act**”) granting the Chamorro people U.S. citizenship and establishing a civilian government.

Guam’s current political status is that of an unincorporated territory of the U.S. The organization and powers of the Government of Guam (the “**Government**” or “**GovGuam**”) are determined by the Organic Act. The Government consists of three branches: executive, legislative and judicial. A governor (“**Governor**”) and lieutenant governor, elected jointly at large every four years, head the executive branch. The Government maintains a staff of approximately 12,000 employees (as of December 2023, the most recent date for which such information is available) under the direction of the Governor and the Governor’s department heads. The unicameral legislature consists of 15 senators elected at large every two years. The judicial branch consists of the Superior Court of Guam, which is the court of general trial jurisdiction, and the Supreme Court of Guam, the court of highest appeal, established in 1996. Guam also has a Federal District Court and is within the jurisdiction of the Ninth Circuit U.S. Court of Appeals and the U.S. Supreme Court. Guam has one non-voting delegate to the U.S. House of Representatives elected at large every two years. The Government is the sole taxing authority in Guam. There are no separate municipal, county, school district or improvement district taxes.

Tourism revenues and U.S. federal and military spending contribute to Guam’s economy. Guam’s location in the Pacific region, a three- to five-hour flight from many Asian countries, greatly contributes to the diversity of Guam’s population and its visitor industry. This geographic feature also provides U.S. military operations with significant flexibility compared to other locations in the Pacific and Asia.

#### **Typhoon Mawar and Guam Restoration Efforts**

On May 24, 2023, Typhoon Mawar struck Guam as a Category 4 storm, with strong winds of approximately 140 miles per hour and heavy rains as reported by the National Weather Services (NWS), Guam. Typhoon Mawar, the strongest tropical cyclone to hit the island in over 20 years, caused widespread damage on the island.

President Joseph R. Biden, Jr. approved an emergency declaration on May 25, 2023, stating that a major disaster exists in the territory of Guam and ordered federal aid to supplement territory and local recovery efforts in the areas affected by Typhoon Mawar. The declaration authorized the Federal Emergency Management Agency (“**FEMA**”) to respond to the disaster. Specifically, FEMA was authorized to identify, mobilize and provide, at its discretion, equipment and resources necessary to alleviate the impacts of the emergency. Emergency protective measures, limited to direct federal assistance, under the public assistance program, will be provided at 75% federal funding. On August 9, 2023, President Biden made additional disaster assistance available to Guam to supplement recovery efforts by authorizing the federal cost-share for the major disaster declaration to be increased from 75% to 90%.

Typhoon Mawar affected travelers and visitors who were on Guam during the typhoon. The Guam Visitors Bureau (“GVB”) provided assistance to almost 5,000 stranded visitors impacted by Typhoon Mawar. GVB reached out to tour agents, local bus companies, hotels, and industry partners to transport visitors and provide a sense of security by covering a portion of the cost of their lodging and meals as they waited for availability of seats on outbound airlines to their home country.

The Guam International Airport Authority (“GIAA”) closed all operations at the A.B. Won Pat International Airport (the “Airport”) on May 24, 2023, opened for humanitarian and essential cargo operations on May 27, 2023, and resumed normal operations on May 29, 2023.

The Guam Power Authority (“GPA”) restored power service to nearly 99% of pre-Typhoon Mawar customers by July 15, 2023. The GPA received more than 1,500 emergency work clearances for customer related damages such as weather heads.

The Guam Waterworks Authority (“GWA”) recovered quickly from Typhoon Mawar. The GWA water and wastewater system did not sustain major damage from the storm. Water service was restored to 62% of customers by June 6, 2023 (day 13), to 92% of customers by June 17, 2023 (day 24) and to all 19 municipalities by June 23, 2023 (day 29).

Historically, Guam has experienced short-term impacts of natural disasters. Since 2000, a total of 23 typhoons (including Typhoon Mawar) have tracked within 200 miles of Guam. In 2002, Typhoon Pongsona caused extensive damage to Guam, destroying 1,300 homes. Typhoon Pongsona passed to the east of the island with wind speeds of 150 mph — equivalent to a Category 4 storm. By contrast, according to reports by FEMA and the American Red Cross, Typhoon Mawar destroyed approximately 437 out of an estimated 55,000 homes which reflects progress in Guam’s efforts to harden facilities against disasters.

## **COVID-19 Pandemic**

**Introduction.** The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was first detected in China and later spread globally, including to Guam. On March 11, 2020, the World Health Organization (“WHO”) declared the COVID-19 outbreak to be a pandemic. The COVID-19 pandemic dramatically altered the behavior of businesses and people in a manner that is having negative effects on the global and Guam economies. The pandemic, and governmental actions in response to the pandemic, caused, a significant disruption of daily life and business activity globally, nationally and on Guam. These disruptions included the mandatory quarantining of visitors to Guam, cancellation and prohibition of public gatherings, the prohibition of non-essential workers working outside of their homes, and the closure of some governmental buildings, schools, gyms, religious institutions, bars, dine-in restaurants and other commercial facilities. The COVID-19 pandemic and related consequences also disrupted supply chains and disrupted or delayed certain construction activities.

On March 13, 2020, then-President Donald J. Trump declared a national state of emergency as a result of the COVID-19 pandemic, and on March 14, 2020, the Governor declared a Public Health Emergency in Guam. On January 6, 2023, the Governor’s public health emergency ended. WHO declared the pandemic over as of May 5, 2023.

**Federal Funding.** The Government, Guam residents and Guam businesses received an estimated \$3.8 billion through various federal stimulus programs enacted following the start of the COVID-19 pandemic. Guam received \$1.8 billion under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), the Government received its full share of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (the “CRSSA”) (\$553.6 million) and Guam received \$1.5 billion from the American Rescue Plan Act of 2021 (the “ARPA”).

## GEOGRAPHIC, DEMOGRAPHIC AND ECONOMIC INFORMATION

### Geography and Climate

The island of Guam was formed by an uplift of undersea volcanoes. It is surrounded by coral reefs near the shore and consists of two distinct areas of approximately equal size. The northern region of Guam is a high coralline limestone plateau rising up 850 feet above sea level. It contains the northern water lens, which is the main source of fresh water on the island. The southern region of Guam is mountainous with elevations of 700 to 1,200 feet above sea level. Apra Harbor, one of the largest protected deep-water harbors in the world, is located on the western side of Guam.

Guam's climate is warm year-round. The average annual temperature is 85 degrees Fahrenheit. The general temperature ranges from the low 70s to 80s degrees Fahrenheit. Annual rainfall averages 85 inches in the western coastal area to 110 inches in the highest mountain locations in the south. Three-quarters of the total annual rainfall occurs between the months of June and December.

Like other Pacific islands, Guam is periodically subject to typhoons and tropical storms. Guam lies in the path of typhoons and it is common for the island to be threatened by tropical storms and possible typhoons during the wet season. From 1962 to date, typhoons that have caused major damage on Guam include: Typhoon Karen in 1962, Typhoon Pamela in 1976, Typhoon Paka in 1997, Typhoon Pongsona in 2002 and Typhoon Mawar in 2023.

In 2002, Guam adopted the International Building Code, and subsequently adopted the 2009 Edition, requiring all new construction to be designed to withstand wind velocities of 155 miles per hour. Due to its location near the Mariana Trench, Guam also occasionally experiences seismic activity, including earthquakes and tsunamis. Other than a major earthquake of 8.1 magnitude on August 8, 1993, no recent earthquakes or tsunamis have caused significant damage on Guam.

### Climate Change and Risk of Sea-Level Rise and Flooding Damage

Potential impacts of climate change, including rising sea levels, excessive rainfall, stronger tropical storms, drought, ocean acidification, coral bleaching, saltwater intrusion, storm surges, rising temperatures and increased migration, may threaten Guam's security and resources. Pursuant to a July 2019 study released by the University of Guam (the "UOG"), one-third of Guam's coral reefs died between 2013 and 2017 because of rising ocean temperatures caused by increased global carbon dioxide output. The impact of climate change and climate variability may also have detrimental socioeconomic impacts to Guam.

In 2016, the U.S. Department of the Interior granted \$450,000 to Guam for climate change action plan projects that support multi-sector collaboration and long-term planning. Funded projects include (i) a comprehensive report by the UOG of long-term climate change impacts on infrastructure and other assets; (ii) a visual demonstration by the Guam Office of Technology of existing conditions and different climate scenarios; (iii) sustainability planning workshops; (iv) workshops by the University of Guam to build resiliency and strengthen climate change adaptation measures; and (v) updates by the Department of Public Works ("DPW") to the Storm Water Management Plan and Storm Water Manual to account for climate change effects.

The Government has started system-wide coordination and long-range planning efforts to mitigate the potential adverse environmental and socioeconomic impacts of climate change. On August 8, 2019, pursuant to Executive Order No. 2019-19, a Climate Change Resiliency Commission (the "**Climate Change Resiliency Commission**") was established. The objective of the Climate Change Resiliency Commission is to develop an integrated strategy to build resiliency against the adverse effects of climate change and to reduce contributing factors such as greenhouse emissions. *The Guam Coral Reef Resilience Strategy ("GRRS")* was developed collaboratively by the Guam Coral Reef Initiative, which includes partners from local and federal agencies, research institutions, non-profit organizations, and the private sector. The goal of the GRRS is to enhance the resilience of Guam's coral reef ecosystems and human communities to the impacts of climate change by 2025.

In September 2019, Governor Lourdes Leon Guerrero and Lt. Governor Joshua F. Tenorio promulgated Executive Order 2019-23, creating a working group of government, academia, private sector, non-profit, and youth

partners to transition Guam toward a sustainable future. The Guam Green Growth initiative is a public-private partnership that develops tangible solutions to sustainability challenges and contributes to a green economy for the island region and is facilitated by the University of Guam Center for Island Sustainability.

In November 2020, the Pacific Islands Regional Climate Assessment and the East-West Center published a report entitled *Climate Change in Guam: Indicators and Considerations for Key Sectors*. The report is one in a series of reports aimed at assessing the state of knowledge about climate change indicators, impacts and adaptive capacity of the U.S.-Affiliated Pacific Islands and the Hawaiian archipelago. Major challenges detailed in the report on climate change in Guam include hotter weather threatening human health risk, risks to freshwater supplies, increasing wildfire, and the potential for damage to infrastructure caused by future sea level rise and stronger typhoons.

### Guam Economy

On April 15, 2024, the Bureau of Economic Analysis of the U.S. Department of Commerce (“BEA”) released its estimated gross domestic product (“GDP”) and gross domestic income for Guam for 2022 (the most recent data available). As set forth in Table A-1, the BEA’s estimates indicate that after declining in Calendar Year 2020 due to COVID-19, Guam’s GDP continued to grow from \$6.234 billion in 2021 to \$6.910 billion in 2022, an increase of 10.8%. The 2022 GDP figure primarily consists of approximately \$4.140 billion in personal consumption expenditures, \$4.633 billion in government consumption expenditures and gross investment and \$2.013 billion in private fixed investments less \$3.876 billion in net export of goods and services.

**TABLE A-1**  
**GUAM GROSS DOMESTIC PRODUCT**  
**CALENDAR YEARS 2018 – 2022**  
**(Millions of Dollars)**

<u>Calendar Year</u>	<u>Gross Domestic Product<sup>(1)</sup></u>
2018	\$6,051
2019	6,355
2020	5,916
2021	6,234
2022	6,910

<sup>(1)</sup> Estimates for 2018 to 2021 have been revised to incorporate improvements to source data and methods.  
Source: U.S. Department of Commerce Bureau of Economic Analysis

The BEA estimates that Guam’s GDP, increased from \$6.051 billion in 2018 to \$6.355 billion in 2019 prior to the COVID-19 pandemic. An expected decrease in 2020 was reflected with GDP at \$5.916 billion followed by a 5.4% increase in 2021. The increase in Guam’s economy in 2022 reflected increases in private fixed investments by 14.7%, federal government spending by 4.6%, territorial government spending by -3.4% and personal consumption expenditures by 1.2%.

The GDP by industry data reflected that the private sector was the source of decline in GDP in 2020. The decline in the private sector was primarily caused by decreases in accommodations, food services, and amusements attributed to the COVID-19 pandemic. Due to COVID-19, visitor arrivals declined 80.3% in Calendar Year 2020. In relation, wholesale and retail trade decreased as nonessential businesses throughout the island were subject to mandatory restrictions affecting daily operations. The government sector increased by 1.4% in 2020 reflecting growth in compensation for federal government employees.

**TABLE A-2**  
**GUAM GROSS DOMESTIC PRODUCT VALUE ADDED BY INDUSTRY**  
**CALENDAR YEARS 2017 – 2021**  
**(Millions of Dollars)**

<u>Calendar Year</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>Private Industries</u>					
Construction	\$388	\$412	\$453	\$522	\$604
Wholesale and retail trade <sup>(1)</sup>	624	625	683	496	570
Accommodations, food services, and amusements <sup>(2)</sup>	736	759	838	397	349
Other private	1,962	1,946	2,024	2,039	2,149
<u>Government</u>					
Federal	1,288	1,303	1,353	1,439	1,471
Territorial	1,016	1,007	1,003	1,023	1,046
Gross Domestic Product <sup>(3)</sup>	<u>\$6,013</u>	<u>\$6,051</u>	<u>\$6,355</u>	<u>\$5,916</u>	<u>\$6,189</u>

<sup>(1)</sup> Previously labeled “distributive services.”

<sup>(2)</sup> Previously labeled “accommodations and amusement” Includes arts, entertainment, and recreation (NAICS 71) and accommodations and food services (NAICS 72).

<sup>(3)</sup> Estimates for 2018 to 2020 have been revised to incorporate improvements to source data and methods.

Source: U.S. Department of Commerce Bureau of Economic Analysis

The BEA reported that the increase in Other private fixed investments reflected growth in equipment and structures with private-sector construction projects including a 60-megawatt solar farm, resort renovations, and retail outlets. Government spending growth reflected an increase in federal spending that was offset by a decrease in territorial government spending. U.S. Department of Defense construction was a notable source of growth, as progress continued on multiple U.S. military projects, including housing and dining facilities for a new Marine Corps base. The increase in personal consumption expenditures was supported by widespread growth among consumer spending categories. Consumer spending was supported by growth in compensation and direct cash assistance administered by the territorial government.

The BEA announced that in 2022, Guam’s Real GDP grew 5.1%, higher than any other region in the U.S. Guam’s real personal consumption expenditure of goods and services increased 0.4% in 2019, and decreased 5.0% in 2020, reflecting the mandatory reductions in operations for nonessential businesses throughout Guam due to the COVID-19 pandemic. Guam’s real personal consumption expenditure of goods and services increased 8.2% in 2022 from the prior year. According to the Guam’s Bureau of Statistics and Plans, Guam’s consumer price index in 2022 increased 11.2% compared to the same period one year earlier.

According to the U.S. Department of Labor Bureau of Labor Statistics, the average annual wage for residents of Guam increased from \$36,930 in 2019 to \$42,210 in 2022.

### Population

Guam’s residents originate from all parts of the Asia-Pacific region in addition to the U.S. mainland. In addition to Guam’s indigenous Chamorro people, who comprise approximately 47% of the population, mainland Americans, Filipinos, Chinese, Japanese and South Koreans constitute the bulk of Guam’s population. There are also substantial numbers of Micronesian islanders, Vietnamese and East Indians. Guam’s diverse population makes it one of the most cosmopolitan communities in the western Pacific.

The U.S. Census Bureau estimates that Guam’s population in 2020 was approximately 153,836, the latest data available. Guam currently has 41 public schools (all accredited by the Western Association of Schools and Colleges), 20 private schools, four U.S. DOD schools, seven charter schools, one community college and one university. For the school year 2023-2024, approximately 24,322 students attended Guam’s public schools. The University of Guam reported an enrollment of 2,962 undergraduate and graduate students (as of December 2022), and the Guam Community College (the

“GCC”) reported 1,669 undergraduates enrolled (as of January 2023). The University of Guam and Guam Community College both are accredited by the Western Association of Schools and Colleges.

### Employment

Prior to the COVID-19 pandemic, Guam had experienced steady job growth in all sectors, and the total number of jobs increased from 63,410 in Calendar Year 2016 to 67,580 in 2019, an increase of 6.5% over the four-year period.

The December 2022 preliminary employment report released by the Guam Department of Labor (“GDOL”); Bureau of Labor Statistics indicated that a total of 65,380 individuals were employed on Guam. Of those employed, approximately 75% of Guam’s workforce were in the private sector, with the remainder in government, both local and federal. The total number of jobs increased by 3,190 over December 2021. Employment in December 2022 saw the greatest increases in construction, services, retail trade and transportation and public utilities. Employment numbers began a moderate rebound in December 2020 with the recovery continuing through December 2022.

The total number of jobs decreased by 7,590 between December 2019 and December 2020. Tourism industry and pandemic-related business reduction caused employment to begin to decline in March 2020 through September 2020 and employment began to rebound moderately in December 2020. Between December 2019 and December 2020, the construction industry showed the greatest increase with 980 jobs, followed by an increase of 70 jobs in the agriculture industry. Guam’s individual and household incomes have fairly equal distributions, as compared to other nations, islands or territories in similar stages of economic development.

The distribution of civilian employment on Guam based on payrolls as of December 31 for Calendar Years 2019 through 2023 is listed by industry in Table A-3. Excluded from the civilian employment estimates in Table A-3 are self-employed individuals, active-duty military personnel, proprietors, volunteers and unpaid family workers. The payroll survey in Table A-3 includes all civilian personnel on payroll, including multiple jobholders counted at each place of employment, and nonresident alien workers.

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**TABLE A-3**  
**Civilian Employment** <sup>(1)</sup>  
**(as of December for Calendar Years 2019 – 2023)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b><u>Private sector:</u></b>					
Agriculture	230	300	310	320	250
Construction	7,350	8,330	9,480	10,820	12,450
Manufacturing	1,460	1,430	1,590	1,600	1,540
Transportation & Public Utilities	4,700	3,690	3,660	3,800	3,670
Wholesale Trade	2,520	2,410	2,270	2,290	2,200
Retail Trade	14,160	10,920	11,410	11,750	12,330
Finance, Insurance, and Real Estate	2,650	2,510	2,370	2,320	2,370
Services	<u>18,890</u>	<u>14,650</u>	<u>15,120</u>	<u>16,320</u>	<u>16,370</u>
<b>Total private</b>	<b>51,960</b>	<b>44,240</b>	<b>46,210</b>	<b>49,220</b>	<b>51,180</b>
<b><u>Public sector:</u></b>					
Federal Government	3,910	3,890	3,970	3,900	4,030
Government of Guam <sup>(2)</sup>	<u>11,710</u>	<u>11,910</u>	<u>12,010</u>	<u>12,260</u>	<u>12,000</u>
<b>Total public</b>	<b>15,620</b>	<b>15,800</b>	<b>15,980</b>	<b>16,160</b>	<b>16,030</b>
<b>Total Payroll Employment</b>	<b><u>67,580</u></b>	<b><u>60,040</u></b>	<b><u>62,190</u></b>	<b><u>65,380</u></b>	<b><u>67,210</u></b>

<sup>(1)</sup> Data include both full-time and part-time employees who worked during any part of the pay period, temporary alien workers and employees less than 16 years of age. Data are based upon the number of paychecks issued by employers. Dual and multiple jobholders are counted once for each job held. Proprietors, unpaid family workers, domestic servants and military active-duty personnel are excluded.

<sup>(2)</sup> Includes temporary contractual employees, autonomous agencies, Agency for Human Resources Development Disaster Recovery and senior/youth employment programs.

Source: *Current Employment Report, Department of Labor, Government of Guam*

The preliminary employment data as of December 2023, showed an increase of total employment by industry division of 1,830 jobs from December 2022. Construction gained 1,630 jobs, retail trade gained 580 jobs, finance, insurance, and real estate gained 50 jobs, services gained 50 jobs, and federal employment increased by 130 jobs from December 2022. Private sector employment increased by 1,960 jobs over December 2022.

### Unemployment

The Government reports employment and unemployment separately. Prior to the COVID-19 pandemic, Guam's unemployment rate was 3.6% as of September 2019, flat from September 2018.

Table A-4 lists unemployment statistics for September 2019 to September 2023. Differences in the employment figures between Table A-3 and Table A-4 arise as a result of differences in the surveys' coverage and exclusions. For example, the household survey in Table A-4 excludes civilians living within military installations or in military housing, and employees under the age of 16 years.

Pursuant to a September 2020 unemployment report released by the GDOL, the unemployment rate on Guam for September 2020 was 17.9%, an increase of 14.3% from September 2019, reflecting the impact of the COVID-19 pandemic on Guam. The total number of persons unemployed in September 2020 was 12,650, as compared to 2,580 unemployed persons in September 2019.

In the September 2021 unemployment report, the unemployment rate in Guam was 8.8%, a decrease of 9.1% from September 2020 figure of 17.9%. The total number of persons unemployed in this period was 5,660, a decrease from 12,650 in September 2020. The September 2021 figures demonstrate Guam's recovery from the island's closure due to the increase in COVID positive cases since the September 2020 report.

Guam’s labor market has been on a steady path to recovery with the unemployment rate falling to 4.6% in September 2022, a decrease of 0.4% from June 2022. This rate also represents a decline of 4.2% from September 2021, when the unemployment rate was 8.8%. According to the latest Unemployment Situation report, the total number of persons unemployed in September 2022 was 3,130, a substantial decrease of 2,530 from September 2021.

The September 2022 unemployment rate of 4.6% is 14.8% below the peak rate of 19.4% in December 2020, when unemployment rose in the U.S. overall due to the COVID-19 pandemic.

In the September 2023 unemployment report, the unemployment rate in Guam was 4.1%, a decrease of 0.3% from September 2022 figure of 4.4%. The total number of persons unemployed in this period was 2,980 from 3,130 in September 2022. The September 2023 figures continue to demonstrate Guam’s recovery from the COVID-19 pandemic.

The COVID-19 pandemic had a material adverse effect on employment in Guam. As described under “GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – COVID-19 Pandemic,” the Government received approximately \$1.06 billion from the federal government under the CARES Act for its Pandemic Unemployment Assistance program and the Federal Pandemic Unemployment Compensation program.

Table A-4 shows the annual unemployment statistics for Guam.

**TABLE A-4**  
**Unemployment Statistics <sup>(1)</sup>**  
**September 2019 – 2023**

<u>As of</u>	<u>Total Labor Force</u>	<u>Number of Unemployed</u>	<u>Unemployment Rate (%)</u>
September 2019	70,590	2,580	3.7%
September 2020	70,620	12,650	17.9%
September 2021	69,920	5,660	8.1%
September 2022	71,680	3,130	4.4%
September 2023	71,990	2,980	4.1%

<sup>(1)</sup> Data include civilian non-institutional population 16 years of age and older but exclude non-immigrant aliens and civilians living within military installations or in military housing. Individuals with one or more jobs or dual jobs are counted once.

Source: *Guam Department of Labor, Bureau of Labor Statistics*

**Construction**

The number and value of building permits generally provide a measure of Guam’s construction industry. Building permits constitute an important economic indicator of the type and level of construction activities planned as well as corresponding employment increases once the buildings are completed. Total construction activity in Guam has averaged approximately \$602.2 million annually over the past five years.

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Table A-5 lists the dollar value of the construction permits issued during the period from Fiscal Years 2019 through 2023. Values given include permits for new construction and additions.

**TABLE A-5**  
**Fiscal Year Building and Construction Permits**  
**Fiscal Years 2019 – 2023 (Dollars in Thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023<sup>(2)</sup></u>
Residential	\$66,447	\$36,797	\$98,626	\$100,053	\$480,735
Commercial & Industrial	118,753	149,653	80,191	238,936	307,384
Government	125,047	147,293	100,041	82,250	174,077
Other <sup>(1)</sup>	<u>51,327</u>	<u>45,861</u>	<u>29,070</u>	<u>158,801</u>	<u>419,972</u>
Total	\$361,574	\$379,612	\$307,928	\$580,040	\$1,382,169

<sup>(1)</sup> Includes permit renewals, demolitions, relocations and church buildings.

<sup>(2)</sup> Preliminary and unaudited.

Source: Guam Bureau of Labor Statistics, Department of Labor

In Fiscal Year 2019, construction permitting declined slightly by approximately \$4.0 million or 1.1% when compared to the previous year. In Fiscal Year 2020, despite the COVID-19 pandemic, construction activity increased by approximately \$18.0 million or 4.8% compared to Fiscal Year 2019. Although residential construction declined compared to Fiscal Year 2019, a total of 124 permits for new homes were recorded. In Fiscal Year 2021, construction permitting declined by approximately \$72 million or 18.9% compared to Fiscal Year 2020. The decline in construction permitting in Fiscal Year 2021 reflected a decline in commercial and industrial permitting by 46.4% and government construction permitting by 32.1%. In Fiscal Year 2022, construction permitting increased by approximately \$272 million or 88.4% compared to Fiscal Year 2021.

In Fiscal Year 2023, construction permitting increased by approximately \$822 million or 138% compared to Fiscal Year 2022. Commercial and industrial projects included two new restaurants, a construction warehouse, construction of a parking lot for Don Don Donki Mall and a new commercial building. Residential projects included a new 8 building, 64-unit apartment complex and the remaining were for single family dwellings.

The statistics in this section do not include construction on military bases. For that information, see “Military Procurement of Services and Constructions” and “Recent Military Project Awards” below.

#### Hotel and Residential Construction

In support of Guam’s Tourism 2020 Strategic Plan introduced in 2014, the Government marketed Guam to new hotel developers leading to the development of several new hotel and condominium projects in the Tumon Bay area, the lodging area for a majority of the visitors to Guam. The Tsubaki Tower, a 26-story, 340-room five-star hotel, was constructed by P.H.R. Micronesia, Ken Corp. at an estimated cost of \$164 million. Construction was completed in April 2020 and the facility opened on July 1, 2020, following a delay in opening due to COVID-19. Adjacent to the tourist district of Tumon is Summer Towers, a \$100 million four-tower, 192-unit luxury condominium development was completed in 2020.

There are a number of affordable and low-income housing projects currently under construction or in the planning phase. Located in the northern village of Dededo, a \$64.1 million, 240-unit Summer Town Estates is the first low-income housing tax credit development for senior citizens in Guam. Summer Town Estates Phases II, III and IV, a 399-unit low-income housing project financed in part by tax credits, was completed in 2018 (Phase II and III) and in 2020 (Phase IV). Villa Del Mar LLC completed a \$50 million 138-unit housing project off the Kanada-Toto Loop in the central village of Barrigada for low-income families as well as for homeless veterans on Guam, a project funded by federal tax credits.

Also, in the northern part of Guam and adjacent to the Two Lovers Point, a popular tourist destination, the ~~#~~ Eiger Towers received approval from the Hybrid Land Use Commission to construct two 20-story condominium buildings.

Construction of the phase one tower, with 209 units, is expected to take two years to be completed. Investment on phase one is \$100 million. A second tower will be built on phase two of the project, which will bring the total number of residences up to 335. Three subdivisions were announced to be constructed in Yigo, including the Bay Gardens, a \$2.3 million 20-home subdivision, Songsong Hills Subdivision, with 72 homes that is expected to be completed in September 2024 and Tre Vista with 36 homes.

In the central part of Guam, Summer Breeze I, LLC was awarded a \$36.6 million contract on November 26, 2021, to build as many as 64 affordable housing units in Radio Barrigada utilizing federal tax credits. Summer Breeze, I opened in December 2023. On November 17, 2020, a groundbreaking was held for a 16 three-bedroom home subdivision, Paradise Courts, in central Mangilao. Construction is ongoing. Also, in the central part of Guam, projects to be constructed include a \$4.0 million Palisades Subdivision with townhomes, condominiums, single-family homes, and a commercial center at Tiyan Parkway and a \$1.6 million 8-unit townhomes in Mangilao.

#### Commercial, Retail and Office Space Construction

Major ongoing commercial, retail and office space construction projects and projects completed within the last five years are described below.

- A new Medical Arts Center, with an estimated cost of approximately \$25 million, was completed in 2022. The 50,000 square foot, three-story commercial building is located across from the Guam Regional Medical City Hospital in Dededo and houses medical offices, hospice care, senior care facilities, a hemodialysis center, a pharmacy, diagnostic and therapeutic services, and others.
- The Fishermen's Co-Op project, estimated to cost approximately \$6 million and still in the planning phase, will include a 220-foot sea wall as docking area for larger vessels such as fishing, charter and dolphin watching vessels. On June 18, 2024, the Fishermen's Co-op reopened in a temporary facility in Hagatna, estimated to cost approximately \$500,000.
- Jollibee Foods Corp., a Manila-based fast-food company, re-opened a stand-alone restaurant in April 2019 in the Micronesia Mall Parking Lot in Dededo, and opened a second Guam restaurant at the Agana Shopping Center on June 27, 2024.
- In the area known as Tiyan, Barrigada, a new Guam Trades Academy Headquarters and Training Center opened in January 2021. Also, under construction in Tiyan is Guam's first purpose built cold storage and climate-controlled warehouse facility. The warehouse will provide supply chain management, frozen, chilled, and climate-controlled warehousing as well as third-party logistics and distribution services for commercial and military customers.
- Japanese retail store Don Quijote, a big-box retailer, broke ground on February 10, 2020, and held a grand opening on April 25, 2024, for its approximately \$150 million retail discount store as Don Don Donki which is located near the Guam Airport in Tamuning.
- The Texas chain restaurant LongHorn Steakhouse opened on May 17, 2021, in Tamuning.
- American Grocery opened a second location in Yigo in June 2021 and constructed a third location in Barrigada; the opening date has not been released.
- A groundbreaking was held on June 11, 2021, for the construction of the iLearn Academy Charter school to be located in Dededo. The construction was completed in August 2022. iLearn Academy Charter school provides academic curriculum for Grades K-5.
- Jack in the Box opened a second restaurant on Guam in the heart of Tamuning along Marine Corps Drive in August 2022.

- On April 2023, a \$3.8 million new McDonalds single-story fast-food restaurant in Mangilao broke ground and is expected to open before 2025.
- A groundbreaking was held on August 6, 2023, for a new \$37.3 million state-of-the-art facility for the Guam Army National Guard's 1224h Engineering Support Company in Barrigada. The project is estimated to be completed by late February 2025.

In the banking industry construction projects included: the Community First Guam Federal Credit Union which opened its new corporate office in Hagåtña on September 5, 2023, and the Coast 360 Federal Credit Union, which opened its new \$8.8 million member center in Upper Tumon on January 22, 2024. On August 9, 2023, a groundbreaking was held for the construction of a new \$10 million Bank of Hawaii West Pacific Regional Headquarters in Tamuning. The planned completion date is by late 2025.

While the COVID-19 pandemic impacted many businesses, a number of new business enterprises opened and several announced expansions during the pandemic. New businesses that recently opened or announced expansions include Selfpix Café, a new coffee and milk tea café, opened in Mangilao on November 2, 2020. Island Falafel & More, serving health-conscious meals out of the Chamorro Village in Hagåtña, opened on December 1, 2020, and Savage Sandwich Co. opened on December 28, 2020 and is operated by the same owners that opened Primo Pizzakaya, a Tumon-based venture.

In January 2021, Hafa Tea opened at the East West Business Center in Upper Tumon. Max's Restaurant, a popular Philippine-based multinational restaurant chain that serves fried chicken and other Filipino dishes, opened at the Micronesian Mall in February 2021. California Pizza Kitchen opened a second location in Hagatna in May 2021 and Jamaican Grill opened a fourth Guam location in Mangilao in September 2021. King's Restaurant has plans to double its operations with two new locations in Dededo and Mangilao. Construction dates have yet to be disclosed.

On March 4, 2022, Ross Dress for Less opened a third 22,500 sq. ft. store at the Agana Shopping Center.

On April 29, 2023, Auntie Anne's franchise opened its first location at Guam Premier Outlets and opened a second location in the food court in the Village of Donki store in Tamuning in April 2024.

Dream Galaxy, a new 5,000 square foot state of the art arcade for adults and kids, opened at the Guam Premier Outlet in January 2024 with an estimated investment of over \$2 million.

#### Government Construction Projects

Major ongoing government construction projects and projects completed within the last five years are described below. Ongoing or recently completed Government construction projects include approximately \$1.143 billion of new capital improvements.

- On November 17, 2023, UOG held a groundbreaking of two new buildings. The first project is for the construction of a new three-story research facility for the Water and Environmental Research Institute (WERI) of the Western Pacific. The second project is the Margaret Perez Hattori-Uchima School of Health Nursing Annex. The WERI and Nursing Annex construction projects are expected to cost \$22.7 million and are funded through grants from the U.S. Department of Commerce's Economic Development Administration, Department of the Interior funds, the UOG Endowment Foundation, and the University of Guam. The two buildings are expected to be completed in 2025.
- On December 15, 2023, UOG broke ground for the construction of its \$7.9 million School of Engineering. The project's estimated completion date is March 2025. On January 10, 2024, the University of Guam also broke ground for the \$22.9 million Dr. Lucio Chan Tan Student Success Center ("Center"). The Center features 45,000 square feet over two stories and is funded by the USDA Rural Development and a \$1 million gift from Lucio Chua Tan. The Center is expected to be completed in April 2025.

- In 2018, the UOG received a sub-award of \$12.0 million from the Office of the Governor which relates to the Guam Cultural Repository (“GCR”) grant award of the Department of Defense Office of Economic Adjustment for the construction of a cultural repository to enhance capacity of curatorial services and provide storage for historical artifacts discovered during the military buildup. The construction of the GCR was completed in June 2022.
- The Guam Community College closed on a \$6 million USDA Community Facilities Direct Loan in December 2016 for the expansion and hardening of the Guam Community College Gregorio G. Perez Crime Lab (completed in February 2022); the Guam Community College Building #100 was completed in September 2019. GCC’s Building 300, a \$4.5 million project that houses a multipurpose auditorium, opened on August 31, 2023. The project is partially funded through the Federal Emergency Management Agency.
- On May 6, 2024, the Guam Community College broke ground on a \$3.27 million Workforce Development Center in Barrigada. The project is expected to be completed in 2025.
- The Guam Department of Education is in the planning stage for the reconstruction of the Simon Sanchez High School in Yigo.
- GWA has recently completed construction of several improvements to its water and wastewater system that include projects related to water production, treatment, distribution and storage, wastewater collection and treatment. Three projects were deemed critical to the military realignment: (i) upgrading the Northern District wastewater treatment plant (the “Northern District WWTP”) to secondary treatment and installing the related outfall diffuser; (ii) refurbishing the interceptor sewer that runs from the Andersen Air Force Base to the Northern District WWTP; and (iii) expanding and rehabilitating the Northern Guam Lens Aquifer Monitoring System including in the northwest field area of the Andersen Air Force Base.
- GPA awarded a \$534 million project to a consortium led by Korea Electric Power Corporation (KEPCO) as the engineering, procurement and construction turnkey operator for a 198-megawatt combined cycle plant in Dededo. The 198 MW combined-cycle units are estimated to be commissioned by September 30, 2025 (delayed due to damage caused by Typhoon Mawar in May 2023). The new facility will replace the two Cabras power plants, located in Piti near the Jose D. Leon Guerrero Commercial Port (the “Port”), which were left inoperable by an explosion and fire in August 2015. The new facility will allow integration of existing solar photovoltaic sources of renewable energy and an additional 120 megawatts from planned solar photovoltaic farms.
- DPW awarded a \$42.6 million contract to widen Route 3 between Route 28 and Chalan Kareta in Dededo in 2018. This new road expansion project is located between the new Marine Corps base in Finegayan, Dededo and the new back gate of Andersen Air Force Base. Work entailed reconstructing and widening Route 3 from a two-lane roadway to a four-lane highway (two lanes in each direction plus a median lane). A groundbreaking ceremony was held on March 22, 2018, and construction was completed in February 2021. Hawaiian Rock was awarded a \$7.2 million contract for a complete resurface of Route 1 in Tamuning to the airport road intersection. The complete resurfacing of the major road will impact all seven lanes. The project also includes reconstruction of the median and a complete reconstruction of the International Trade Center intersection in Tamuning.
- A \$12.9 million Route 5 Reconstruction and Widening project was completed on April 17, 2024. The project was funded by the Federal Highway Administration and completed by InfraTech International LLC. Route 5 covers the road between Hagat and Malessso.
- GIAA Third Floor International Arrivals Corridor with Seismic Upgrades. This project consisted of construction of a new international arrivals corridor that separates arriving non-TSA-screened passengers from departing TSA-screened passengers, as well as seismic upgrades to the passenger terminal building infrastructure to support the new Third Floor International Arrivals Corridor. The west concourse was completed and operational in December 2021, and the east concourse was completed and operational in

April 2022. Total project costs were approximately \$135 million. Sources of funding for this project included proceeds from GIAA bonds, GIAA funds and FAA grants.

- GIAA Runway 6L/24R Rehabilitation (Phase 1a and 1b). This project includes the rehabilitation and reconstruction of over 1,550 linear feet of runway (Phase 1a) and the rehabilitation and reconstruction of an additional 1,450 linear feet of runway (Phase 1b). Phase 1a and Phase 1b were completed in May 2022. Total project costs were approximately \$21 million. Sources of funding for this project included FAA grants (90%) and GIAA funds (10%).
- GIAA Aircraft Rescue and Firefighting Facility. This project consists of construction of a new aircraft rescue and firefighting facility that will improve response time to potential emergencies. This project was substantially completed in July 2022. Total project costs were approximately \$23.4 million. Sources of funding for this project included FAA grants (90%) and GIAA funds (10%).
- GIAA Runway 6L/24R Rehabilitation (Phase 2). This project includes the rehabilitation of over 4,000 linear feet of runway previously constructed using PCC pavement. Phase 2 was physically completed in March 2023. Total project costs were approximately \$5 million. Sources of funding for this project included FAA grants (90%) and Authority funds (10%).
- In June 2018, the Port Authority of Guam issued revenue bonds to fund approximately \$47.5 million of capital projects at the Port. Projects include rehabilitation of Hotel Wharf and access road, relocation of waterlines, repair of the Equipment Maintenance & Repair Building, repair of Warehouse 1 and repair and upgrades of Golf Pier and construction of an annex building and bridge to the Administration Building.
- A \$2.5 million construction project for the Central Police Precinct Command Facility was completed in June 2019 in Sinajana, funded with a U.S. Department of Housing and Urban Development grant.
- In October 2019, Core Tech International, a Guam-based firm, was awarded a \$27.2 million contract to build a new cell at the Guam Layon Landfill, which was completed in 2021. The project was funded by proceeds from general obligation bonds issued by the Government in July 2019.
- On August 5, 2020, a groundbreaking was held for a two-story Central Community Arts Hall in Sinajana. The \$660,000 construction project was funded by a 2019 grant from the U.S. Department of Housing and Urban Development. The Central Community Art Hall officially opened on October 18, 2022.
- A \$10.3 million Chalan Pago-Ordot Multipurpose Center is expected to be completed by December 2024.
- A groundbreaking ceremony was held on March 30, 2021, for a \$2.35 million Salvation Army's Lighthouse Recovery Center for Women a collaboration with the Guam Housing and Urban Renewal Authority. The construction was completed in January 2023.
- The National Defense Authorization Act ("NDAA") for Fiscal Year 2021 authorized the expenditure of \$19.0 million for the construction of a public health laboratory.
- The Guam Housing and Urban Renewal Authority broke ground on February 23, 2023, for a total of 96 one, two- and three-bedroom units in the 12 building Summer Vista 1 housing development in Dos Amantes in Dededo (the northern part of Guam) and plans to construct a new Guam Police Department station in Talo'fo'fo (the southern part of Guam).

#### H-2B Visas

The H-2B program in Guam has allowed employers to bring skilled foreign workers into the U.S. to fill temporary jobs in sectors other than agriculture. Employers of all sizes, primarily in construction but also in a variety of other industries, use the H-2B program when they cannot identify enough skilled U.S. workers to hire.

The denial of nearly all H-2B visas by the U.S. Citizenship and Immigration Service (“USCIS”) in Fiscal Years 2016 and 2017 resulted in a labor shortage for Guam. In October 2016, 11 Guam-based companies and the Guam Contractors Association (“GCA”) initiated a class-action lawsuit against USCIS and other federal agencies, alleging that, starting in 2016, USCIS began rejecting their H-2B visa petitions for work during exceptionally busy periods at a rate approaching 99% compared to a prior Guam average approval rate of approximately 95% through 2015. In January 2018, the U.S. District Court of Guam preliminarily enjoined USCIS from relying on the failure to satisfy peak-load or one-time occurrence conditions as grounds for denying H-2B visa petitions and ordered USCIS to reconsider H-2B visa petitions that were previously denied (the “**2018 Preliminary Injunction Order**”).

In April 2018, the U.S. District Court of Guam certified a class of businesses in Guam, thereby permitting Guam employers who believed they had unlawful denials of H-2B visa petitions by USCIS to seek temporary relief under the 2018 Preliminary Injunction Order. On May 20, 2022, the District Court of Guam dismissed the case. According to the court order, federal laws passed since the lawsuit was filed have rendered the case moot, and none of the remaining plaintiffs want to pursue the case further. For more information on the federal laws passed, see “National Defense Authorization Act (NDAA)” below.

As of August 12, 2024, there were approximately 5,479 H-2B workers on Guam, the highest it has been in over 30 years. It is expected that higher numbers will be seen for at least the next two years as construction volume is expected to increase in the short term and remain high at least through Fiscal Year 2026 without any significant decrease below current levels.

#### National Defense Authorization Act (NDAA)

The 2019 NDAA eliminated the annual cap of 4,000 H-2B workers and further built on the authorization in the 2018 NDAA by providing further flexibility for the U.S. Customs and Immigration Services to administer the H-2B visa program on Guam, specifically, the exemption from the temporary work recruitment until December 31, 2023. It further allows for the admittance of healthcare workers to Guam through the H-2B visa program to augment the increased need for skilled healthcare supporting the military build-up at medical facilities that joint serve members of the armed forces, dependents, and civilians on Guam.

The 2021 National Defense Authorization Act (“**2021 NDAA**”) broadened the options under which a project may qualify under the NDAA provisions, opening the recruiting of foreign labor for smaller contractors and related businesses for their projects that have been left out from previous years NDAA’s. The 2021 NDAA included a new provision that specifically allows Guam to bring in H-2B workers for civilian projects, which had not been allowed in previous years.

On February 8, 2022, the USCIS issued updated policy guidance to clarify how petitioners may demonstrate that they qualify for an exemption from the temporary need requirement for a nonimmigrant visa petition for H-2B workers. The new policy states that GDOL will be able to write letters supporting civilian construction contractors’ applications for H-2B visa workers in response to the military buildup. A letter from GDOL will validate the contractors need for workers to support the military realignment, such as building more housing. The letter will further validate, upon GDOL review, that the contractors are adversely affected by factors such as worker shortages, for non-military projects. For more information on the annual NDAA, see “Military Procurement of Services and Constructions.”

The 2024 NDAA extended the H-2B visa program admission in Guam to December 31, 2029.

#### Other Economic Activity

The Government is seeking, through legislative and regulatory efforts, to streamline business and construction permitting processes, to obtain an exemption from the Jones Act (a federal law that governs domestic shipping, which would expand the market for shipments to Guam and reduce the cost of imports), to develop the captive insurance market for the Asian market, and to continue the pursuit of the visa waiver program for Chinese and Filipino tourists.

Other developments being pursued by the Government, private enterprise or both, include a bonded warehouse on Guam as a consolidation and customs clearance center, a hub for the collection and transshipment of recyclable

materials in the region, a redevelopment of the Hagåtña area, light domestic manufacturing of construction materials, expanded eco and sports tourism, and television and commercial film production for Asian producers. In May 2019, filmmakers with Netflix were on Guam filming a movie called “Operation Christmas Drop,” which was released in December 2020.

### Economic Expansion Initiatives

#### Agriculture

There are many opportunities available to agricultural producers including establishing a land lease between landowners and agricultural producers to accommodate and identify unique pathways for sustained future in agricultural production. Governor Leon Guerrero is exploring initiatives including developing agriculture incubator programs, establishing a slaughterhouse and creating an agriculture master plan.

#### Aquaculture and Fisheries

As part of the integrated economic strategy, Governor Leon Guerrero is advancing the growth of aquaculture and fishing to create jobs and keep more local dollars circulating in the economy instead of being spent on imports. In April 2019, the Governor signed an executive order creating the Guam Aquaculture Task Force, which is intended to reinvigorate efforts to develop a potentially \$7 billion aquaculture industry, starting with shrimp farming. As part of the task force, the Guam Economic Development Authority (“GEDA”) in March 2022, released its Guam Aquaculture Industry Feasibility Study, funded by the U.S. Economic Development Administration. The study provides a comprehensive analysis of Guam’s aquaculture industry and serves as a roadmap for policymakers and stakeholders to support the industry.

#### Telecommunication

Guam is equipped with 3G, 4G and 5G broadband coverage and is considered to be the most technologically connected among the surrounding islands in the Pacific. Mobile broadband has rapidly grown since the launch of the High-Speed Packet Access and Long Term Evolution service. DOCOMO PACIFIC, through its parent company NTT DOCOMO INC., officially began operations of its DOCOMO 5G Open Lab Guam on March 27, 2019, at its Tamuning headquarters. The DOCOMO 5G Open Lab Guam is NTT DOCOMO INC.’s first 5G verification center outside of Japan.

Guam-based telco GTA Teleguam (“GTA”) is currently building a new cable landing station (“CLS”) and data center in Tamuning on the north of the island. The project known as the Alupang data center, began construction in October 2022 and is expected to be completed in the first quarter of 2025. Once completed the two story building will offer 4 medium wave capacity across 31,000 square feet (2,875 square meters). GTA is also planning to build a new CLS in Inalahan on the southeast of Guam. The two-story building will total around 19,440 square feet (1,800 square meters). Though the site will have a small amount of server space, it will be largely unmanned. The GTA landing station on Guam serves as a crucial hub for telecommunications in the Pacific region. It connects Guam to international submarine fiber optic cables, facilitating high-speed internet and telecommunications services to Guam itself and the broader Pacific region.

Guam is currently the landing point for 12 subsea cables. In addition to GTA, Tata Communication operates one CLS on Guam and AT&T operates two CLS on Guam.

On January 18, 2024, Google announced the construction of two new undersea cables from Guam to Fiji and to French Polynesia. For Guam, the cables are expected to greatly increase Internet connectivity speeds and reduce latency. Guam plays a part in landing those cables, which in turn will help bridge the digital divide throughout the Pacific. The cost of the projects is currently unknown. The projects are expected to be completed by 2026.

On May 8, 2024, GTA announced it is rolling out GTA Fiber across Guam. GTA Fiber marks a shift in internet technology, with 100% Fiber Internet directly to homes and businesses with speeds up to 1 GIG, or 1,000 Mbps.

### Additive Manufacturing

In efforts to diversify Guam's economy and support Indo-Pacific submarine industrial base needs, Governor Leon Guerrero and the Applied Science and Technology Research Organization of America ("ASTRO") released a project plan for a 3D printing industry and center in Guam. The project is estimated to cost \$38.8 million in the initial two years with implementation starting in Fall 2024.

On December 29, 2020, Governor Leon Guerrero, in partnership with the Guam Economic Development Authority and the Guam Chamber of Commerce, established the Governor's Economic Diversification Working Group, a group charged with executing new industries to rebound from the adverse effects of the COVID-19 pandemic. Proposed alternative industries included:

- Aquaculture and Agriculture
- Alternative Dispute Resolution
- Guam Captive Insurance / Trust Incentives Act Program
- Relocation of High Wealth Businesses/Individuals from Asia
- Pharmaceutical Manufacturing
- Construction & Labor
- Ship Repair
- Safe Haven Port
- Silicon Village Initiative
- Satellite Launching

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**Guam Tourism Industry**

Tourism represents a large source of income for Guam’s economy. Annual visitor arrivals rose to over 1,000,000 travelers for the first time since 1994 and, prior to the COVID-19 pandemic, had remained above that level. The COVID-19 pandemic, however, had a material adverse effect on tourism in Guam, as global travel restrictions led to significant decreases in tourism. See “COVID-19 Pandemic” herein.

Table A-6 sets forth the annual number of visitors to Guam for Fiscal Years 2019 through 2023. Fiscal Year 2019 was the highest year for visitor arrivals on record with 1.63 million.

**TABLE A-6  
Annual Visitor Arrivals to Guam  
Fiscal Years 2019 – 2023**

<u>Fiscal Year</u>	<u>Visitor Arrivals</u>	<u>Percent Increase (Decrease)</u>
2019	1,631,049	--
2020	757,385	(54)%
2021	61,607	(92)
2022	216,915	252
2023	602,594 <sup>(1)</sup>	178

<sup>(1)</sup> Preliminary and unaudited.  
Source: *Guam Visitors Bureau*

Table A-7 (which is presented by calendar year as opposed to Table A-6, which is presented in fiscal year) provides a comparison of visitor arrivals by month to Guam for Calendar Years 2019 through 2023. The growth in arrivals since 2018 was directly related to the overall increase in available airline seats to Guam. Calendar Year 2019 arrivals were comprised of 45% of visitors from South Korea and 41% of visitors from Japan. The slowdown in arrivals from February 2020 to December 2021 is related to the impact of the COVID-19 pandemic, but Guam slowly has regained traction, with Calendar Year 2022 arrivals exceeding Calendar Year 2020 arrivals by 273 visitors. Calendar Year 2022 visitor arrivals improved when compared to Calendar Year 2021. Calendar Year 2023 arrivals exceeded Calendar Year 2022 arrivals by 50%, based on preliminary data from the Guam Visitors Bureau (“GVB”).

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**TABLE A-7**  
**VISITOR ARRIVALS TO GUAM BY MONTH**  
**CALENDAR YEARS 2019 – 2023 AND 2024 (YEAR TO DATE) <sup>(1)</sup>**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 <sup>(1)</sup></u>	<u>2024 <sup>(1)</sup></u>
January	147,507	157,479	4,526	9,060	56,687	82,670
February	137,244	116,746	3,478	7,096	56,253	74,154
March	146,332	35,310	3,716	9,401	65,603	68,623
April	121,004	1,557	3,814	11,323	55,354	56,773
May	120,411	1,502	4,352	20,008	44,347	51,284
June	123,528	2,221	7,438	28,278	17,310	51,499
July	136,878	1,385	12,860	41,091	52,154	--
August	159,856	2,048	8,675	37,835	67,842	--
September	137,680	2,912	5,735	28,028	52,286	--
October	134,830	2,331	6,416	40,934	54,099	--
November	143,987	2,562	9,615	39,852	60,862	--
December	157,408	2,120	8,764	55,540	73,173	--
<b>Total</b>	<b>1,666,665</b>	<b>328,173</b>	<b>79,389</b>	<b>328,446</b>	<b>655,970</b>	<b>385,003</b>

<sup>(1)</sup> Preliminary Monthly Visitor Arrival Statistics are compiled from the Guam Customs and Quarantine Mandatory Customs Declaration forms and may exclude Armed Forces Sea arrival statistics. Annual numbers are updated once Armed Forces information is received.

Source: *Guam Visitors Bureau*

#### Guam Visitors Bureau

The Guam Visitors Bureau is a nonprofit membership corporation that has existed in its current form since 1984. GVB’s mission is to efficiently and effectively promote Guam as a safe and satisfying destination for visitors and to derive maximum benefits for the people of Guam. Policy for GVB is set by a 12-member board of directors, consisting of five directors appointed by the Governor with the advice and consent of the Guam Legislature, two directors appointed by the Speaker of the Guam Legislature, four directors elected by the other members, and one director selected by at least a two-thirds vote of the other 11 directors. A board-appointed President and Chief Executive Officer administers the activities of GVB. Membership in GVB is not restricted to any particular group. The Guam Legislature appropriates funding for GVB’s operations from amounts available in the Tourist Attraction Fund.

Recent promotions by GVB include a Guam branding initiative; efforts to expand visitor markets through expansion of the visa waiver program and similar initiatives; encouraging longer stays and repeat visits by enhancing and promoting tourist and cultural destinations and events in Guam and working with travel agents to market group-travel initiatives and coordination of more focused familiarization (“fam”) tours. In April 2019, GVB welcomed familiarization tours and meetings, incentives, conventions and events groups from different markets. In February 2022, GVB welcomed three groups of ambassadors to the island for a fam tour that re-introduced Guam’s activities and attractions to a recovering Japan market.

Prior to the COVID-19 pandemic, GVB hosted international media, influencers, celebrity runners and travel agents during the United Airlines Guam Marathon weekend, where 4,000 participants from Guam and 20 countries around the world drew valuable exposure for the race and Guam. Tours and meetings included the Globus Travel Agent FAM tour from Novobirsk, Russia, the Golden Insurance Brokers Ltd. from Taiwan, the Mapua Group and the PRU-LIFE group from the Philippines. The GVB team also promoted Guam at the MATTA Travel Exchange in Malaysia, at events in Japan and through the Guam Cultural Wave Inspection in South Korea. In July 2019, Guam hosted the 31<sup>st</sup> Annual Guam Micronesia Island Fair, Pride Month events and the Electrical Island Festival, which contributed to the July 2019 increase in arrivals compared to the same time period from the prior year.

As part of the COVID-19 recovery effort and further easing of travel restrictions, for Fiscal Year 2023, GVB’s marketing campaign included major markets such as South Korea, Japan, North America and other main markets. GVB’s recent marketing efforts included in October 2022 the Tourism EXPO Japan to showcase Guam’s current offerings to

thousands of attendees in the Japan market. GVB is also focusing on the return of the Guam Island Fiesta Tour (“GIFT”). The GIFT program began more than 10 years ago as a way to introduce visitors into the homes of local families during various village fiestas. GVB also participated in ITB Asia (Asia’s Leading Travel Trade Show) that was hosted at the same time and location as the Meetings, Incentives, Conventions & Exhibitions (MICE) Show Asia and Travel Tech Asia.

In November 2022, GVB re-established ties with Kashiwa City in the Chiba prefecture of Japan as part of its ongoing tourism recovery efforts. In December 2022, in an effort to enhance cooperation with targeted market segments in South Korea, GVB signed a Memorandum of Understanding (“MOU”) with CHA University and Baekseok University during its end-of-the-year mission to the country. Under these MOUs, both universities have agreed to strengthen medical tourism, cultural exchange programs, and tourism-related jobs between Guam and South Korea.

In January 2023, GVB marked an important milestone in the shared history of Taiwan and Guam in celebrating the 50<sup>th</sup> anniversary of a significant sister city agreement. Guam signed the sister city agreement with Taipei City on January 12, 1973, by the island’s first elected Governor Carlos Camacho and then Taipei Mayor Chang Feng-hsu. The sister city agreement with Taipei City is a celebration of Guam’s role in diplomatic relations and cultural ties with the Taiwanese people over the last several decades. According to GVB, overall, this is the third sister city agreement that was signed between Taipei City and the United States.

#### Recent Events in Guam’s Visitor Market

In November 2020, Guam was included in National Geographic’s ‘Destinations on the Rise for 2021’ – a list of “25 amazing places to inspire future journeys and remind us why we love to travel.” The National Geographic article noted that these 25 “timeless places” including Guam would define future itineraries. The list was made by the global editors of National Geographic Travel and framed by five categories (Adventure, Culture and History, Nature, Family, Sustainability).

#### Key Visitor Markets

Guam receives visitors from a variety of countries and GVB has historically made efforts to further diversify Guam’s visitor base. Prior to the COVID-19 pandemic, four of Guam’s top five visitor markets included South Korea, Japan, Taiwan and China.

Fiscal Year 2018 was the third best year on record for total visitor arrivals, with Guam welcoming 1,525,219 visitors. The South Korea market grew to become Guam’s top source market in Fiscal Year 2018. Guam welcomed 752,715 South Korean visitors in Fiscal Year 2018, making up almost 50% of the market share. The Japan market remained the second largest visitor market and accounted for 35% of visitor arrivals in Fiscal Year 2018. Other markets that showed growth in Fiscal Year 2018 included the U.S. mainland/Hawaii (5.8%), Taiwan (1.8%), the CNMI and Micronesia (1.35%), the Philippines (1.2%) and China (1.1%). Total civilian air arrivals decreased by 2.8%, while total sea arrivals, which account for less than 1.0% of Guam’s visitor arrivals, increased by 60.6% during Fiscal Year 2018 over the previous Fiscal Year 2017.

Fiscal Year 2019 was Guam’s best year on record for tourism, with 1,631,049 visitor arrivals to Guam. Japanese visitor arrivals totaled 664,784, an increase of 25.4% for Fiscal Year 2019 compared to Fiscal Year 2018. The South Korea market, which had been Guam’s top visitor market for the preceding two fiscal years, declined by 2.4% from 752,715 in Fiscal Year 2018 to 734,339 in Fiscal Year 2019. According to GVB, this was mainly due to the loss of Korean Air’s non-stop flight to Busan and a decrease of seasonal oversupply from Incheon compared to the prior year. Other markets that showed growth in Fiscal Year 2019 included the U.S. mainland/Hawaii (5.3%), Taiwan (2.9%), the Commonwealth of the Northern Mariana Islands (“CNMI”) (9.0%) and the Philippines (8.8%).

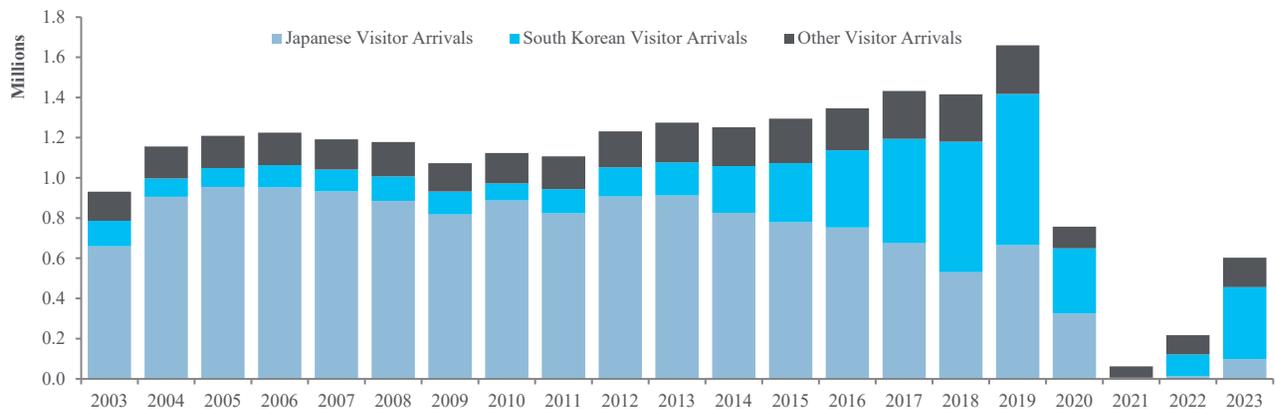
Following the start of the COVID-19 pandemic, Guam’s visitor market started to experience a decline in visitor arrivals starting in February 2020 which saw arrivals decrease from 137,244 in February 2019 to 116,746 in February 2020, representing a 14.9% decrease. Visitor arrivals totaled 1,631,049 in Fiscal Year 2019, 757,385 in Fiscal Year 2020 (a 53.6% decline compared to Fiscal Year 2019), 61,607 in Fiscal Year 2021 (a 91.9% decline compared to Fiscal Year 2020).

Guam has seen improvements in Fiscal Year 2022 and Fiscal Year 2023 but still far from its pre-COVID-19 pandemic numbers. In Fiscal Year 2022, there was a 277.0% increase in visitor arrivals from Japan, a 5157.1% increase in visitor arrivals from South Korea, a 81.2% decrease in visitor arrivals from Taiwan, a 235.5% increase in visitor arrivals from China, a 56.6% increase in visitor arrivals from U.S. mainland/Hawaii, a 175.4% increase in visitor arrivals from the Philippines, and a 145.6% increase in visitor arrivals from other markets combined.

Although visitor arrivals increased in Fiscal Year 2022, GVB considers Fiscal Year 2019 the benchmark for recovery efforts. Visitor arrivals totaled 602,594 based on preliminary data for Fiscal Year 2023, a 177.8% increase from Fiscal Year 2022 but still a fraction or 36.9% of the pre-pandemic 1.631 million arrivals in Fiscal Year 2019. In Fiscal Year 2023, there was a 651.2% increase in visitor arrivals from Japan, a 230.6% increase in visitor arrivals from South Korea, a 1169.7% increase in visitor arrivals from Taiwan, a 386.8% increase in visitor arrivals from China, a 28.2% increase in visitor arrivals from U.S. mainland/Hawaii, a 118.2% increase in visitor arrivals from the Philippines, and a 78.3% increase in visitor arrivals from other markets combined.

**Figure 1**

**Historical Fiscal Year Japanese and S. Korea Visitor Arrivals as a Percentage of Total Visitor Arrivals**



**Fiscal Year 2003 to Fiscal Year 2023**

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Other	18%	14%	14%	12%	14%	15%	15%	14%	16%	16%	14%	17%	15%	16%	15%	16%	14%	14%	91%	44%	24%
S. Korea	11%	8%	9%	9%	10%	10%	8%	10%	13%	13%	17%	22%	28%	34%	42%	49%	45%	43%	3%	50%	60%
Japan	71%	78%	77%	79%	76%	75%	77%	76%	72%	71%	68%	62%	57%	50%	43%	35%	41%	43%	6%	3%	16%

Source: Guam Visitors Bureau

Visitor arrivals from South Korea grew significantly over the five fiscal years preceding the start of the COVID-19 pandemic, with much of the increase attributed to additional flight service from South Korea.

Visa Waiver Program.

In November 2009, the United States updated its policies relating to the visa waiver program available for travel to Guam for tourism or business. The current program allows visitors holding passports from Australia, Brunei, Hong Kong, Japan, Malaysia, Nauru, New Zealand, Papua New Guinea, Republic of Korea, Singapore, Taiwan and the United Kingdom to visit Guam and/or Commonwealth of the Northern Mariana Islands without a visa for a period of up to 45 days.

Although a visa waiver has not been granted for Chinese tourists to travel to Guam, in November 2014, the U.S. and China agreed to extend visa validity from a one-year, single-use visa to a 10-year, multi-use visa. This greatly reduces time and cost required for a U.S. visa and removes one of the roadblocks to attracting Chinese tourists to Guam. Visitor arrivals from China to Guam peaked at 23,239 in Fiscal Year 2017 but dropped to 12,588 in Fiscal Year 2019. The loss in seat capacity from Taiwan and limited charter opportunities normally operated by Dynamic Air (due to regional competition) from secondary cities in China such as Guangzhou, Chengdu, Dalian, Nanjing, Shenyang, and Zhengzhou, contributed to the decline in seats from these two potentially large markets for Guam.

Table A-8 sets forth a comparison of visitor arrivals to Guam by country for Fiscal Years 2019-2023.

**TABLE A-8**  
**Fiscal Year Visitor Arrivals by Country**  
**Fiscal Years 2019– 2023**

	2019		2020		2021		2022		2023 <sup>(3)</sup>	
	<u>Arrivals</u>	<u>Percent of Total</u>	<u>Arrivals</u>	<u>Percent of Total</u>	<u>Arrivals</u>	<u>Percent of Total</u>	<u>Arrivals</u>	<u>Percent of Total</u>	<u>Arrivals</u>	<u>Percent of Total</u>
Japan	664,784	40.76%	324,574	42.85%	3,454	5.61%	13,022	6.00%	97,823	16.23%
South Korea	734,339	45.02%	325,109	42.93%	2,063	3.35%	108,454	50.00%	358,570	59.50%
U.S.Mainland/Hawaii	94,141	5.77%	48,263	6.37%	41,239	66.94%	64,572	29.77%	82,794	13.74%
Taiwan	28,346	1.74%	10,691	1.41%	2,253	3.66%	423	0.20%	5,371	0.89%
China P.R.C.	12,588	0.77%	4,287	0.57%	124	0.20%	416	0.19%	2,025	0.34%
CNMI	22,566	1.38%	10,318	1.36%	3,178	5.16%	12,625	5.82%	14,383	2.39%
Micronesia <sup>(1)</sup>	19,788	1.21%	9,858	1.30%	2,849	4.62%	5,290	2.44%	15,903	2.64%
Philippines	20,708	1.27%	9,344	1.23%	2,262	3.67%	6,230	2.87%	13,593	2.26%
Australia	2,250	0.14%	1,297	0.17%	360	0.58%	1,079	0.50%	1,253	0.21%
Europe	2,340	0.14%	1,116	0.15%	697	1.13%	826	0.38%	1,485	0.25%
Hong Kong	6,395	0.39%	1,226	0.16%	31	0.05%	125	0.06%	708	0.12%
Russia	5,189	0.32%	996	0.13%	67	0.11%	63	0.03%	148	0.02%
Singapore	1,525	0.09%	493	0.07%	914	1.48%	562	0.26%	853	0.14%
Others/Unknown	5,995	0.37%	4,290	0.57%	1,192	1.93%	2,241	1.03%	4,088	0.68%
<b>Total Air <sup>(2)</sup></b>	<b>1,620,954</b>	<b>99.38%</b>	<b>751,862</b>	<b>99.27%</b>	<b>60,683</b>	<b>98.50%</b>	<b>215,928</b>	<b>99.54%</b>	<b>598,997</b>	<b>99.40%</b>
<b>Total Sea</b>	<b>10,095</b>	<b>0.62%</b>	<b>5,523</b>	<b>0.73%</b>	<b>924</b>	<b>1.50%</b>	<b>987</b>	<b>0.46%</b>	<b>3,597</b>	<b>0.60%</b>
<b>Total Air &amp; Sea</b>	<b>1,631,049</b>	<b>100.00%</b>	<b>757,385</b>	<b>100.00%</b>	<b>61,607</b>	<b>100.00%</b>	<b>216,915</b>	<b>100.00%</b>	<b>602,594</b>	<b>100.00%</b>

<sup>(1)</sup> Includes the Republic of Palau (“Palau”), Federated States of Micronesia (“FSM”) and the Republic of the Marshall Islands (“RMI”).

<sup>(2)</sup> Includes military air arrivals.

<sup>(3)</sup> Preliminary and unaudited.

Source: Guam Visitors Bureau

Table A-9 highlights the percentage change in annual visitor arrivals to Guam by country for Fiscal Years 2019 through 2023.

**TABLE A-9**  
**Percentage Change in Annual Visitor Arrivals by Country**  
**Fiscal Years 2019-2023**

	<u>2019</u>	<u>2020</u>	<u>% Change From 2019</u>	<u>2021</u>	<u>% Change From 2020</u>	<u>2022</u>	<u>% Change From 2021</u>	<u>2023 <sup>(3)</sup></u>	<u>% Change From 2022</u>
Japan	664,784	324,574	-51.2%	3,454	-98.9%	13,022	277.0%	97,823	651.2%
South Korea	734,339	325,109	-55.7%	2,063	-99.4%	108,454	5157.1%	358,570	230.6%
U.S. Mainland / Hawaii	94,141	48,263	-48.7%	41,239	-14.6%	64,572	56.6%	82,794	28.2%
Taiwan	28,346	10,691	-62.3%	2,253	-78.9%	423	-81.2%	5,371	1169.7%
China P.R.C.	12,588	4,287	-65.9%	124	-97.1%	416	235.5%	2,025	386.8%
CNMI	22,566	10,318	-54.3%	3,178	-69.2%	12,625	297.3%	14,383	13.9%
Micronesia <sup>(1)</sup>	19,788	9,858	-50.2%	2,849	-71.1%	5,290	85.7%	15,903	200.6%
Philippines	20,708	9,344	-54.9%	2,262	-75.8%	6,230	175.4%	13,593	118.2%
Australia	2,250	1,297	-42.4%	360	-72.2%	1,079	199.7%	1,253	16.1%
Europe	2,340	1,116	-52.3%	697	-37.5%	826	18.5%	1,485	79.8%
Hong Kong	6,395	1,226	-80.8%	31	-97.5%	125	303.2%	708	466.4%
Russia	5,189	996	-80.8%	67	-93.3%	63	-6.0%	148	134.9%
Singapore	1,525	493	-67.7%	914	85.4%	562	-38.5%	853	51.8%
Others / Unknown	7,520	4,290	-43.0%	1,192	-72.2%	2,241	88.0%	4,088	82.4%
<b>Total Air <sup>(2)</sup></b>	<u>1,622,479</u>	<u>751,862</u>	<u>-53.7%</u>	<u>60,683</u>	<u>-91.9%</u>	<u>215,928</u>	<u>255.8%</u>	<u>598,997</u>	<u>177.4%</u>
<b>Total Sea <sup>(3)</sup></b>	<u>10,095</u>	<u>5,523</u>	<u>-45.3%</u>	<u>924</u>	<u>-83.3%</u>	<u>987</u>	<u>6.8%</u>	<u>3,597</u>	<u>264.4%</u>
<b>Total Air &amp; Sea</b>	<u>1,632,574</u>	<u>757,385</u>	<u>-53.6%</u>	<u>61,607</u>	<u>-91.9%</u>	<u>216,915</u>	<u>252.1%</u>	<u>602,594</u>	<u>177.8%</u>

<sup>(1)</sup> Includes the Republic of Palau (“Palau”), Federated States of Micronesia (“FSM”) and the Republic of the Marshall Islands (“RMI”).

<sup>(2)</sup> Includes military air arrivals.

<sup>(3)</sup> Preliminary and unaudited.

Source: Guam Visitors Bureau

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### Military Visitors on Guam

According to the Guam Hotel and Restaurant Association there are about 3,000 military and federal government personnel that are permanently staying in Guam's hotels at any given point in time due to a variety of reasons including Permanent Change of Status orders, temporary housing for individuals moving to Guam or individuals working on temporary assignment.

In December 2021, the United States Navy's Nimitz-class aircraft carrier USS Vinson, along with other ships assigned to the Carl Vinson Carrier Strike Group, the Ticonderoga-class guided-missile cruiser USS Lake Champlain and Arleigh Burke-class guided-missile destroyer USS Stockdale arrived at Naval Base Guam for a port visit, relaxation and an opportunity to celebrate during the holidays for its 5,000 sailors. This marked the strike group's second visit to Guam during deployment to the U.S. 7th Fleet area of operations, with the first visit occurring over Veterans Day weekend in 2021.

Guam military exercises and military visits provide an instant economic boost to Guam as the crew members stay in the hotels, eat at local restaurants and tour the island. For Calendar Year 2022 there were six military exercises, Exercise Sea Dragon 22 (January 2022), and Exercise Cope North 2022 (February 2022). On March 2, 2022, the USS Abraham Lincoln and the guided missile destroyer USS Spruance arrived on Guam with 5,100 crew members for a port visit, resupply and refuel. On December 12, 2022, the Republic of Korea Navy's training ship, ROKS Hansando, and the multipurpose fast combat support ship, ROKS Daecheong, docked at Naval Base Guam for four days on Guam with 164 midshipmen in the class.

For Calendar Year 2023, Exercise Cope North 2023 (February 2023) with more than 1,000 U.S. Airmen, Marines, and Sailors worked alongside 1,000 combined Japan Air Self-Defense Force and Royal Australian Air Force and French Air and Space Force service members. In April 2023, the United States hosted a two-week joint military exercise in Guam with military units from Japan, Korea, India and Canada. On July 12, 2023, the United States Army Pacific hosted six South Asian countries in the region's first-ever Disaster Response & Exchange Exercise. In October 2023, the U.S. and the Republic of Korea navies completed the biennial combat theater anti-submarine warfare exercise, "Silent Shark".

For Calendar Year 2024, Exercise Cope North 2024 was held at Andersen Air Force Base, Guam, from February 5, 2024, through February 23, 2024. Approximately 1,700 U.S. Airmen, Marines, and Sailors trained alongside 700 Japan Air Self-Defense Force, Royal Australian Air Force, French Air and Space Force, Royal Canadian Air Force and Republic of Korea Air Force service members. About 85 aircraft from the United States, Australia, Japan, France, and South Korea flew 1400 missions across three islands and six airfields. From April 10 through April 16, 2024, Exercise Agile Reaper brought approximately 800 U.S. Air Force airmen on Guam, which rehearsed capabilities in an operationally relevant environment and provided air dominance, global mobility and command and control with a hub and spoke system based out of Andersen Air Force Base, Guam. Valiant Shield 2024 is a multinational exercise conducted by the United States and its allies in the Indo-Pacific region. The exercise took place from June 7, 2024, through June 18, 2024. From June 19, 2024, through June 21, 2024, the USS Ronald Reagan visited Guam. During the port visit, the crew of approximately 5,000 sailors had the opportunity to tour Guam, which generated revenues for local businesses such as hotels, restaurants and shops.

### Cruise Industry

The cruise industry has historically been a modest visitor market for Guam. In May 2018, Carnival Cruise Line announced that it would expand its service to include a 24-day trans-Pacific crossing, which included a port call in Guam. In November 2018, the arrival of the Coral Princess cruise ship helped to boost visitor arrivals by bringing in 1,900 visitors to Guam. A Carnival Splendor Cruise, carrying 3,000 passengers and 1,200 crewmembers, visited Guam on October 20, 2019, and spent twelve (12) hours in Guam. Although Guam's economy benefits from large cruise ships like the Carnival Splendor, the cruise industry sustainability goal is to target small cruise ships, with no more than 500 passengers at a time allowing for a manageable influx of tourists at the Port.

Governor Leon Guerrero tasked the government and private sector partners to expand the small cruise ship industry by appointing government and private sector leaders to spearhead an initiative to make Guam a home-base for a small cruise ship that will take visitors throughout the Micronesian islands. In August 2019, Guam joined the

South Pacific Cruise Alliance (“SPCA”), becoming its ninth member. Guam’s location in the northern Pacific and close proximity to Asia makes it an ideal cruising destination from the eastern markets and a potential homeport for cruising around Micronesia. SPCA members include American Samoa, Cook Islands, Fiji, French Polynesia, Guam, Pitcairn Islands, Samoa, Tonga and Wallis & Futuna. In 2020, 723 cruise ships had been expected to call on these SPCA ports and destinations; however, the global cruise industry was adversely impacted by the COVID-19 pandemic, significantly reducing the number of cruises.

Since the onset of the pandemic, eight cruise liners have visited Guam. The Diamond Princess, the second cruise liner to come to Guam since the beginning of the COVID-19 pandemic, arrived on March 3, 2023, carrying 1,545 passengers and 1,097 crew.

On January 3, 2024, Guam welcomed MSC Bellissima cruise ship which brought 5,494 passengers and crew, the first of potentially 12 total cruise ship visits in 2024. Since then, Guam has welcomed the MS Zuiderdam with 2,000 passengers, the MV Artania with 1,920 passengers, the MS Asuka II with 1,201 passengers, the MS Queen Elizabeth with 2,882 passengers, the Le Soleal, the Carnival Luminosa with 2,894 passengers, and the MV Seabourn with 471 passengers. At least five more cruise ships are expected to make port before the end of 2024.

Hotels

Tumon Bay, located on the west coast of the island, is the heart of Guam’s tourist industry. The hotels in Tumon Bay provide lodging to the majority of visitors to Guam. During the 1990s and early 2000s, Guam’s inventory of hotel rooms increased over 100%, with substantial growth in the number of hotel rooms occurring from 1991 to 1993 and from 1995 to 2001. As of September 2023, there were 32 hotels in Guam, including many notable international hotel operators, with an inventory of approximately 8,722 rooms.

Pursuant to Section 30101(b), Title 11, Guam Code Annotated, the Hotel Occupancy Tax is an excise tax levied and imposed by the Government against transient occupants of a room or rooms in a hotel, lodging house or similar facility located in Guam. The Hotel Occupancy Tax has been levied at the rate of 11% of the rental price charged or paid per occupancy per day since April 1, 1995.

Table A-10 below shows the amount of Hotel Occupancy Tax revenues collected for Fiscal Years 2019 through 2023. Hotel Occupancy Tax revenues in Fiscal Year 2023 were \$26.3 million, a 44.8% increase from Fiscal Year 2022 but 41% lower than Fiscal Year 2019 prior to the onset of the COVID-19 pandemic. Hotel Occupancy Tax revenues in Fiscal Year 2022 were \$18.2 million, a 47% increase from Fiscal Year 2021 but 59% lower than Fiscal Year 2019 prior to the onset of the COVID-19 pandemic. Hotel Occupancy Tax Revenues in Fiscal Year 2021 were \$12.4 million, a 72% decrease from Fiscal Year 2019 due to the closure of hotels on island and the global travel restrictions as a result of the COVID-19 pandemic. In Fiscal Year 2019, total Hotel Occupancy Tax revenues were \$44.7 million. Fiscal Year 2019 is the highest year for visitor arrivals on record.

**TABLE A-10**  
**Annual Hotel Occupancy Tax Revenues**  
**Fiscal Years 2019 – 2023**

<b>Fiscal Year</b>	<b>Taxes Collected (\$)</b>
2019	44,701,482
2020	26,366,511
2021	12,372,113
2022	18,168,635
2023 <sup>(1)</sup>	26,310,551

<sup>(1)</sup> Preliminary and unaudited.  
*Sources: Tourist Attraction Fund Audited Financial Statements for Fiscal Years 2018-2022*

Table A-11 lists the weighted average hotel occupancy and weighted average room rates from Fiscal Years 2019 through 2023.

**TABLE A-11**  
**Weighted Average Hotel Occupancy and Room Rates**  
**Fiscal Year 2019-2023**

<b>Year</b>	<b>Weighted Average Hotel Occupancy Rate (%)</b>	<b>Weighted Average Room Rate (\$)</b>
2019	88	211
2020	56	189
2021	45	157
2022	53	173
2023 <sup>(1)</sup>	65	197

<sup>(1)</sup> Preliminary and unaudited.  
 Source: *Guam Visitors Bureau*

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Table A-12 lists the top 15 hotel operators by number of existing rooms as of September 2023.

**TABLE A-12**  
**Top 15 Hotel Operations in Guam**  
**As of September 2023**

<u>Hotel/Resort</u>	<u>Year Opened</u>	<u>Location</u>	<u>Number of Rooms <sup>(1)</sup></u>
Pacific Islands Club	1980	Tumon	777
Hilton Guam Resort & Spa	1972	Tumon	646
Dusit Beach Resort Guam <sup>(2)</sup>	1999	Tumon	604
Guam Plaza Hotel	1983	Tumon	505
Hotel Nikko Guam	1992	Tumon	470
Hyatt Regency Guam	1994	Tumon	450
Westin Resort Guam	1996	Tumon	430
Hoshino Resorts RISONARE Guam <sup>(3)</sup>	1992	Tamuning	430
Guam Reef & Olive Spa Resort	1974	Tumon	428
Dusit Thani Guam	2015	Tumon	421
Tsubaki Tower	2020	Tumon	340
Crowne Plaza Resort Guam <sup>(4)</sup>	1971	Tumon	321
RIHGA Royal Laguna Guam Resort <sup>(5)</sup>	2007	Tamuning	318
Leo Palace Resort Guam	1993	Yona	266
Holiday Resort & Spa Guam	1996	Tumon	<u>252</u>
<b>Top 15 Total</b>			6,658
<b>Other Hotel Rooms</b>			<u>2,210</u>
<b>Total Hotel Rooms</b>			8,868

(1) Numbers may not reflect actual capacity as hotel management may make rooms unavailable at any given time.

(2) Formerly the Outrigger Guam Resort.

(3) Formerly the Onward Beach Resort.

(4) Formerly the Fiesta Resort Guam.

(5) RIHGA Royal acquired Sheraton Laguna Guam Resort; reopened as RIGHA Royal Laguna Guam Resort on April 21, 2022.

Source: *Guam Visitors Bureau*.

Over the past few years, several existing hotels have undertaken significant renovations. In April 2020, the Fiesta Resort Guam closed for an extensive, \$45 million refurbishment renovation to transform the Tumon hotel into a luxurious getaway and reopened as Crowne Plaza Resort Guam in 2023. The Westin Resort Guam completed a \$1.5 million renovation to its dining area that houses its buffet in 2020 and completed a \$1.5 million renovation project to the hotel's six bungalows in March 2024. Similarly, renovations at the Hyatt Regency Guam of guest rooms and the President Suites were a multi-million dollar investment. In March 2024, the Hilton Resort & Spa completed \$8.0 million of upgrades throughout the property.

The Tsubaki Tower, a 26-story, 340-room luxury five-star hotel located in Tumon, opened in July 2020. The Pacific Star Hotel closed in 2020, due to foreclosure.

### Airlines

The Airport is operated by GIAA, a public corporation and autonomous instrumentality of the Government. The Airport is the only commercial air carrier airport serving Guam and is the principal air carrier airport serving the surrounding Micronesian islands.

The Airport has approximately 874,000 square feet of terminal space, which includes the Third Floor International Arrivals Corridor, along with approximately 250,000 square feet of adjacent facilities, including hangars, maintenance facilities, warehouse space, storage facilities, office space and expansive ground space.

For the first nine months of Fiscal Year 2024, 13 airlines provided service at the Airport, including one major U.S.-flag air carrier, eight foreign-flag air carriers, one regional/commuter airlines that provides inter-island service and three cargo airlines. In addition, the Airport is served by other charter flights, including military charter flights, operated by various airline carriers. See “THE AIRPORT – Air Carriers Serving the Airport” in the front part of this Official Statement.

United Airlines (“**United**”) is the largest air carrier serving the Airport. The Airport serves as a hub in United’s global route network. United’s Guam hub is designed to serve: (1) regional origin-destination passengers on short-haul flights to and from Guam, (2) origin-destination passengers on long-haul flights, primarily tourists visiting Guam, and (3) transit passengers on connecting or through flights.

### Seaport

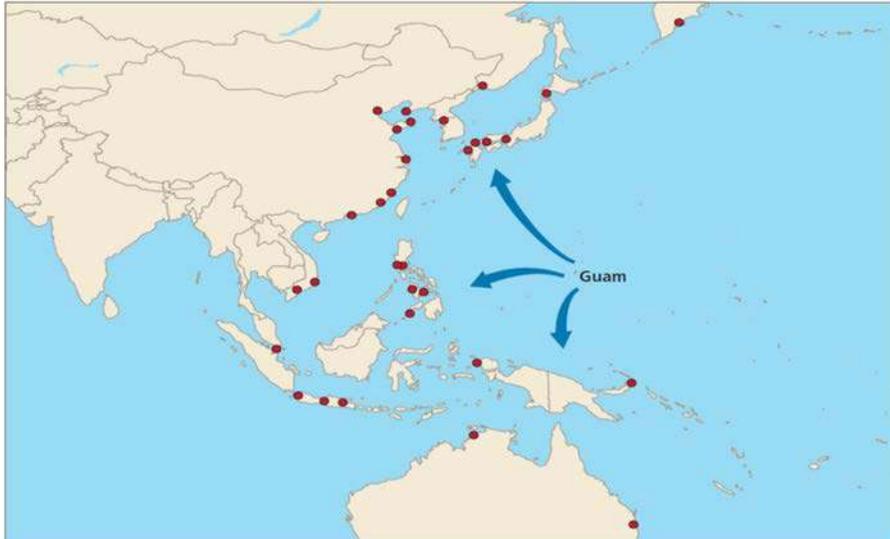
The Port Authority of Guam is the only commercial seaport on Guam and the primary seaport in Micronesia. The Port consists of a cargo terminal, industrial terminal, four berths, cargo handling equipment and numerous support buildings and facilities. The Port’s facilities are located on Cabras Island along the northern shoreline of the Outer Apra Harbor, a natural lagoon enclosed by a submerged coral bank and a barrier reef enhanced with a breakwater. The Port receives and processes more than 90% of the total volume of goods and supplies needed to support activities on Guam, making it vital to Guam’s future development and sustainability.

The U.S. flag carriers serving Guam include Matson (which is fully compliant with the Jones Act), American President Lines, Seabridge and Waterman Steamship Corporation. The foreign flag carriers include Marianas Express Lines Limited and Kyowa Shipping Co. Ltd. These foreign flag carriers provide the majority of transshipment services to other ports in the region including the Port of Saipan, the Port of Majuro and other smaller ports.

The COVID-19 pandemic did not materially impact operations at the Port, as the demand for imported products increased with residents increasing their purchases following the announcement of the first confirmed cases of COVID-19 on Guam. The Port initially closed following Typhoon Mawar, but reopened on May 28, 2023, four days after Typhoon Mawar.

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The map below identifies major ports that can be reached from Guam via sea in five days or less.



### **Political Self-Determination**

Guam’s political status and ability to self-govern have been discussed for decades. In the 1970s, Guam’s leaders created special commissions to discuss political status. These commissions recognized the desires of Guam’s people and examined Guam’s political conditions and the status options available to Guam. There has been no change to Guam’s political status yet and Guam remains an unincorporated territory of the U.S.

In 1997, the Commission on Decolonization (the “**Commission**”) was established for the implementation and exercise of Chamorro Self-Determination. The Commission was tasked with educating Guam on the three status options available: free association, independence and statehood. However, the Commission was inactive for most of the early 2000s and was re-launched in 2011. Since then, more native inhabitants have been registered to vote. Governor Leon Guerrero appointed a new Commission in February 2019.

In 2011, a non-Chamorro resident of Guam was denied from registering to vote for the political status plebiscite and subsequently sued the Government. In 2017, the U.S. District Court of Guam ruled in favor of the plaintiff and banned the Government from holding a plebiscite that limits voters to “native inhabitants of Guam.” In 2019, the U.S. Court of Appeals for the Ninth Circuit affirmed the District Court’s decision. The Government subsequently filed an appeal with the U.S. Supreme Court to overturn the Ninth Circuit’s decision striking down the Guam law authorizing a non-binding political status plebiscite. In 2020, the U.S. Supreme Court announced it would not review a case that could affect the political status of Guam. The order issued means the Ninth Circuit’s ruling will stand and Guam’s native inhabitants cannot be the sole participants in a political status plebiscite. Governor Leon Guerrero is currently reviewing options to move forward with the Commission.

### **Military Activity**

World events over the last several years have increased recognition of Guam’s strategic military value and has resulted in increased military presence on Guam, bolstering the military’s contribution to the Guam economy. A strong U.S. presence in the Pacific demonstrates active support for Japan, South Korea, Australia and other Pacific Rim allies and supports U.S. economic and security interests. Guam is positioned geographically to constitute an extended homeland defense perimeter, protecting the U.S. west coast and Hawaii from acts of aggression, and has the only substantial military facilities on U.S. soil in the Western Pacific Ocean. Military bases and defense systems on Guam can support forward deployed capabilities in Asia and allow rapid response to any threat to the stability of the Asian region or any threat to the U.S. originating in the Asian region. In 1995, Joint Base Guam was created which placed all land in Guam that was previously managed by the various military departments under the Department of the Navy. Other military considerations regarding Guam’s location include:

- Geographic Location: Closer to potential flashpoints of conflict in Asia and the Middle East.
- U.S. Sovereign Territory: No need for host nation consent to pre-position war munitions, deploy weapons or conduct operations.
- U.S. Air Force, Navy, Marine Corps, Coast Guard, National Guard and Reserve facilities with substantial munitions, fuel supply, communications, command and control capabilities.
- Unencumbered air and sea space for live fire and special operations training including Explosive Ordnance Disposal and Sea, Air & Land (SEAL) elements and other joint military special operational readiness initiatives.
- Deep-water harbor with 17,000 linear feet of wharfage with ability to handle three million pounds of ordnance (net explosive weight – the actual weight in pounds of explosive mixtures or compounds, including the trinitrotoluene equivalent of energetic material, that is used in determination of explosive limits and explosive quantity data arcs).
- Significant airfield capability including dual, two-mile-long runways with contingency, mobilization and surge capable civilian airfields on Guam and the CNMI.
- Repair capabilities for surface vessels, submarines, aircraft and combat equipment at the Intermediate Maintenance Facility, private ship repair facilities, the submarine tender, Naval Base Guam, Andersen Air Force Base and civilian facilities.

The map below shows Guam’s location in the Pacific and relative distances between major cities in the Pacific Rim.



### Military Personnel

In July 2010, the Joint Guam Program Office of the Department of the Navy released its Final Environmental Impact Statement (“EIS”) pertaining to the proposed U.S. military build-up on Guam, and in September 2010 the DOD issued its Record of Decision pertaining to the EIS. At the time the EIS was released, it was anticipated that the military build-up would have three major parts: (i) relocation of part of the Third Marine Expeditionary Force from Okinawa, Japan, (ii) creation of the infrastructure for an aircraft carrier berthing and (iii) installation of an Army Air and Missile Defense Task Force.

In July 2015, the DOD released its Supplemental Environmental Impact Statement (“SEIS”), which identified potential impacts associated with several alternatives for the cantonment/family housing component of this relocation, as well as for the live firing training range complex. According to the Navy, the SEIS showed a significantly decreased footprint and a significant decrease in the potential strain on Guam’s infrastructure. Rather than the initially contemplated seven years of construction, the SEIS stated there would be 13 years of moderate construction with a gradual phase-out to follow.

The 2015 Record of Decision identified the final locations for additional bases and facilities to accommodate the Marines. The National Defense Authorization Act for fiscal year 2015 set the maximum cost of moving the Marines from Japan to Guam at \$8.6 billion, of which \$3.1 billion of the cost will be provided by Japan, and the remaining cost will be provided by the United States.

The expected impact from the military build-up on Guam’s population is highlighted in Table A-13. These projections have not been updated since their initial publication, so the estimates shown in Table A-13 are not intended to reflect actual results.

**TABLE A-13**  
**ESTIMATED TOTAL MILITARY RELATED POPULATION INCREASE BY CALENDAR YEAR <sup>(1)</sup>**  
**2015-2028**

<u>Year</u>	<u>Direct DOD</u>	<u>Indirect and Induced</u>	<u>Off Island Construction</u>	<u>Civilian Military Workers</u>	<u>Dependents</u>	<u>Total</u>
2015	33	89	161	4	60	347
2016	46	254	1,071	5	348	1,724
2017	46	531	2,301	38	702	3,618
2018	46	663	3,227	75	910	4,921
2019	505	686	2,871	113	767	4,942
2020	3,898	897	2,587	150	660	8,192
2021	4,327	1,082	3,175	188	814	9,586
2022	4,327	1,046	2,978	225	810	9,386
2023	5,582	915	2,205	263	756	9,721
2024	5,582	716	1,350	300	636	8,584
2025	6,079	612	618	338	499	8,146
2026	6,300	513	46	338	335	7,532
2027	6,300	455	0	338	320	7,413
2028	6,300	453	0	338	320	7,411

<sup>(1)</sup> Estimates shown are not additions from year to year; they represent the aggregate project related increase as of any given year relative to base year of 2015. Estimates have not been updated to reflect actual increases to date.

Sources: 2015 Final Supplemental Environmental Impact Statement (SEIS), Guam and CNMI Military Relocation Report

Based on reports from the Defense Manpower Data Center, as of September 2023, there were approximately 11,638 military personnel (consisting of active duty, reserves and civilian military workers), an increase of 2,254 military personnel since December 2015.

The U.S. government may choose to relocate military fleets, equipment and personnel from time to time to either increase or decrease the U.S. military presence on Guam, and the Government cannot predict whether or when such adjustments may occur. However, the military presence on Guam is generally expected to increase due to the factors discussed above.

Table A-14 lists active-duty military personnel on Guam from September 2019 through 2023.

**TABLE A-14**  
**Active Duty Military Personnel on Guam**  
**Fiscal Years 2019-2023 <sup>(1)</sup>**

<u>Year</u>	<u>Air Force<sup>(2)</sup></u>	<u>Army</u>	<u>Coast Guard</u>	<u>Marines</u>	<u>Navy</u>	<u>Total</u>
2019	2,006	167	0	25	3,362	5,560
2020	2,108	183	0	48	3,801	6,140
2021	2,165	211	0	133	3,764	6,273
2022	2,169	207	0	290	4,001	6,667
2023	2,890	98	313 <sup>(3)</sup>	117	3,994	7,412

<sup>(1)</sup> Excludes Reservists.

<sup>(2)</sup> Includes Space Force.

<sup>(3)</sup> U.S. Coast Guard Forces Micronesia/Sector Guam

Source: Defense Manpower Data Center (DMDC)

### Air Force

Andersen Air Force Base located on the northern tip of Guam is a major airfield operated by the U.S. Air Force 36<sup>th</sup> Wing. North of Andersen Air Force Base’s primary airfield is Northwest Field an airfield built during World War II. Northwest Field is currently used for training, ammunition storage and live fire ranges. Most Air Force assets such as B-52, B1 and B2 bombers fly in from stateside air bases on a temporary (3-6 month) rotational basis while air assets from visiting Naval aircraft carriers utilize Andersen Air Force Base as well. Permanent air assets based at Andersen Air Force Base include Navy unmanned reconnaissance aircraft (MQ-4 and RQ-4 Global Hawks) and Navy helicopters (MH-60S Seahawks). The Republic of Singapore Air Force is planning to base a permanent rotational presence of fighter jets (F-15Gs, F-16C/Ds and possible F-35Bs) starting in 2029.

Also in Andersen Air Force Base, the U.S. Space Force maintains the Guam Tracking Station, operated by the 21st Space Operation Squadron, Detachment 2. This unit is part of the Air Force Satellite Control Network, which provides support to military operations. Two military members and 35 contractors execute the 24/7 mission enabling real-time Satellite C2 in support of the war fighter.

### Army

Permanent U.S. Army presence on Guam consist of two organizations, an active-duty Terminal High Altitude Area Defense (“**THAAD**”) battery and the Guam Army National Guard. The Army deployed a THAAD battery on Guam in 2013. In 2022, the U.S. Indo-Pacific Command issued new requirements to upgrade Guam’s missile defense. The U.S. Missile Defense Agency (“**MDA**”) is developing the Enhanced Integrated Air and Missile Defense System to defend Guam against advanced missile threats. The MDA is planning on spending \$1.7 billion to implement the integrated missile defense system in Guam. In May 2024, the MDA awarded an approximately nearly \$460.6 million contract to Boeing Co. for the engineering design and development of the missile defense system on Guam.

In June 2024, the MDA released an environmental assessment detailing its plans to conduct missile defense flight test and tracking exercises in cooperation with the Air Force, Army, Navy and Coast Guard. The proposed action would involve up to two tests each year over the next decade from Guam as the MDA works to develop the Enhanced Integrated Air and Missile Defense System above. The first test is expected to take place at the end of 2024. The environmental assessment concluded that the proposed testing would have no significant direct, indirect, or cumulative environmental impacts to Guam. The MDA is soliciting public comment on the assessment through August 2, 2024.

### Coast Guard

The U.S. Coast Guard (“USCG”) has been present in Guam since 1905, however, the U.S. Coast Guard Forces Micronesia/Sector Guam (“**Guam Coast Guard**”) was established on Guam on November 8, 2023 as part of the Consolidated Appropriations Act of 2023 and expands the U.S. Coast Guard’s mission support in the Indo-Pacific region. The Guam Coast Guard operates out of Naval Base Guam. The unit is home to the USCG Sequoia, the USCG Myrtle Hazard, the USCG Oliver Henry, the USCG Frederick Hatch and the USCG Washington. The Guam Coast Guard comprises more than 300 dedicated members based in Guam and the Commonwealth of the Northern Mariana Islands.

### Marines

The major Marine facility on Guam is Marine Corps Base Camp Blaz, which was activated on October 1, 2020, and is the first new Marine Corps base activated in the entire United States since 1952. The SEIS and 2015 Record of Decision anticipate that approximately 5,000 Marines and 1,500 Marine Corps family members from Okinawa and other locations will be relocated to Guam by Fiscal Year 2028, with the first 2,500 Marines moving to a new Marine Corps Base Camp Blaz by Fiscal Year 2026. To support plans of strengthening defense on Guam, construction is currently underway at several locations including: the newly activated Marine Corps Base Camp Blaz – Main Cantonment at Finegayan, Apra Harbor United States Marine Corps (“USMC”) Sea Embarkation, Andersen Air Force Base (“AAFB”) Northwest Field – Mason Live Fire Training Range Complex, USMC ACE Ramp at Andersen, Family Housing at AAFB and AAFB South – Skaggs Urban Combat Training Complex. The Marine Corps held an activation ceremony on January 29, 2023, for Base Camp Blaz, which will be home to about 5,000 Marines and will serve as a “strategic hub” in the Indo-Pacific with its eye on China and North Korea. In June 2024, the Marines announce that the first 100 Marines are moving Guam by December 2024.

### Navy

Navy Base Guam in Apra Harbor operates a port that can accommodate the largest Navy warships, including aircraft carriers. Within the harbor, Polaris Point Submarines Base is the homeport for four Los Angeles-class nuclear-power fast attack submarines on Guam: the USS Annapolis, USS Asheville, USS Jefferson City, and the USS Springfield. Also based out of Naval Base Guam are two Navy submarine tender ships, the USS Frank Cable and the USS Emory S. Land, which are surface vessels that provide support and services for the submarines’ forward-deployed operations. A Virginia-class fast-attack submarine, USS Minnesota, is expected to arrive to homeport in Guam in the coming fiscal year. The submarines and tenders are maintained as part of the U.S. Navy’s forward-deployed submarine force and are readily capable of meeting global operational requirements.

### Military Procurement of Services and Construction

The Department of Defense (“DOD”) is planning to make additional investment in military infrastructure on Guam and to increase the number of service members on Guam. DOD’s five-year plan outlined in the Future Years Defense Program calls for spending about \$7.3 billion on Military Construction on Guam from Fiscal Year 2024 through Fiscal Year 2028. This includes enhancing Navy and Air Force infrastructure to support air and sea operations, the new Marine Corps Base and installation of a new missile defense system and support for the personnel needed to operate the missile defense system. MILCON spending on Guam is expected to peak in Fiscal Year 2025, as major construction for the planned missile defense system is executed.

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Congressional authorizations for appropriations for military construction and family housing projects are depicted in Table A-15.

**TABLE A-15**  
**U.S. Military Construction Authorizations for Guam**  
**Fiscal Years 2020-2024**

<u>Fiscal Year</u>	<u>Total Authorizations</u>
2020	\$290,457,000
2021	571,205,000
2022	765,217,000
2023	1,691,325,000
2024	4,233,723,000

*Source: The Committee on Armed Services, National Defense Authorization Acts*

The 2020 NDAA was signed into law on December 20, 2019 and included approximately \$290.5 million for military construction on Guam. Major projects included the funding of the Machine Gun Range (\$91.3 million), an Explosive Ordnance Disposal Compound (\$61.9 million) and Bachelor Enlisted Quarters (\$34.1 million).

The 2021 NDAA was signed into law on January 1, 2021 and included approximately \$571.2 million for military construction on Guam. The 2021 NDAA included an important provision specific to Guam that authorized H-2B labor for civilian projects on Guam (see “GEOGRAPIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Guam Economy- H-2B Visas”).

The 2022 NDAA was signed into law on December 27, 2021 and included approximately \$765.2 million for construction projects on Guam. The 2022 NDAA budget prioritized a missile defense system to defend Guam against advanced missile threats. See “– Army” above. According to the Joint Region Marianas, the Missile Defense Agency is evaluating 18 to 20 parcels of military-owned land in Guam for the different elements of a defense system. Planning for the missile defense is ongoing.

The 2023 NDAA, passed in December 2022, included up to \$1.7 billion of appropriations as part of the military buildup on Guam. The 2023 NDAA extended the Pacific Deterrence Initiative (“PDI”) through Fiscal Year 2023, identified an additional \$11.5 billion in investments to support PDI objectives, and authorized an additional \$1 billion to address unfunded requirements identified by the U.S. Indo-Pacific Command. PDI is a set of prioritized defense investments and activities established by Congress to enhance U.S. deterrence and defense, assure allies and partners, and counter adversary threats in the Indo-Pacific region in response to China's growing military power.

The 2024 NDAA, passed in December 2023, includes over \$4.2 billion of appropriations as part of the military buildup. The 2024 NDAA directs the assessment of the infrastructure, capacity, resources, and personnel requirements for Guam during fiscal year 2024 through 2029 to meet United States strategic objectives and directs the development of a comprehensive strategy for developing, acquiring, and operationally establishing integrated air and missile defense architecture. The 2024 NDAA also extended the H-2B visa program admission in Guam until December 31, 2029. See “H-2B Visas” above in this Appendix A.

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The projects funded in the 2024 NDAA are listed in the following Table A-16.

**TABLE A-16**  
**2024 NDAA Projects Located in Guam (\$000s)**

<u><b>Navy</b></u>	<u><b>(\$000s)</b></u>
Construction projects inside Naval Base Guam	\$950,656
Family Housing - Improvement	290,365
Extension of 2021 Project Joint Communication Upgrade	166,000
Artillery Battery Facilities	137,550
Replace Andersen Housing (AF) Phase 8	121,906
Joint Consol Communication Center	107,000
Training Center	89,640
Replace Andersen Housing (AF) Phase 7	83,126
Satellite Communications Facility (INC)	56,159
Missile Integration Test Facility	56,140
Child Development Center	55,220
Religious Ministry Services Facility	46,350
Recreation Center	34,740
Joint Communication Upgrade	31,330
9th ESB Training Complex	27,536
Consolidated MEB HQ/NCIS PhII	19,740
<b>Total Navy Appropriations</b>	<b>\$2,273,458</b>
<u><b>Airforce</b></u>	<u><b>(\$000s)</b></u>
Construction projects inside Anderson Airforce Base Guam	\$497,620
Construction and Land Acquisition Project	411,000
North Aircraft Parking Ramp	109,000
Air Force Reserve Facilities Aerial Port Facility	27,000
<b>Total Airforce Appropriations</b>	<b>\$1,044,620</b>
<u><b>Army National Guard</b></u>	<u><b>(\$000s)</b></u>
Extension of 2021 Project Space Control Facility #5	\$20,000
Cost to Complete National Guard Readiness Center	6,900
<b>Total Army National Guard Appropriations</b>	<b>\$26,900</b>
<u><b>Defense-Wide</b></u>	<u><b>(\$000s)</b></u>
Guam Defense Development	\$544,578
Construction projects for Joint Region Marianas	174,540
Defense on Guam Procurement	169,627
<b>Total Defense-Wide Appropriations</b>	<b>\$888,745</b>
<b>Total 2024 NDAA Appropriation for Guam</b>	<b>\$4,233,723</b>

Recent Military Project Awards

The Federal Procurement Data System indicates \$1.0 billion of U.S. DOD procurement contracts was awarded in Fiscal Year 2019; \$1.2 billion was awarded in Fiscal Year 2020; \$2.0 billion was awarded in Fiscal Year 2021; \$1.7 billion was awarded in Fiscal Year 2022; and \$2.7 billion was awarded in Fiscal Year 2023. Procurement contracts awarded for \$1.0 million and above vary in areas from telecommunications, construction related activities and materials, and contracting for professional services (architects, engineers, medical laboratories, armored guards, janitors and technicians).

Table A-17 reflects the U.S. Department of Defense Procurement Contract Awards from Fiscal Years 2019 through 2023.

**TABLE A-17**  
**U.S. Department of Defense Procurement Contract Awards for Guam**  
**Fiscal Years 2019-2023**

<b>Fiscal Year</b>	<b>U.S. Department of Defense Procurement Contracts</b>
2019	\$1,001,494,343
2020	1,203,871,558
2021	2,008,919,859
2022	1,744,690,711
2023	2,747,380,305

*Source: Federal Procurement Data System-Next Generation (FPDS-NG)*

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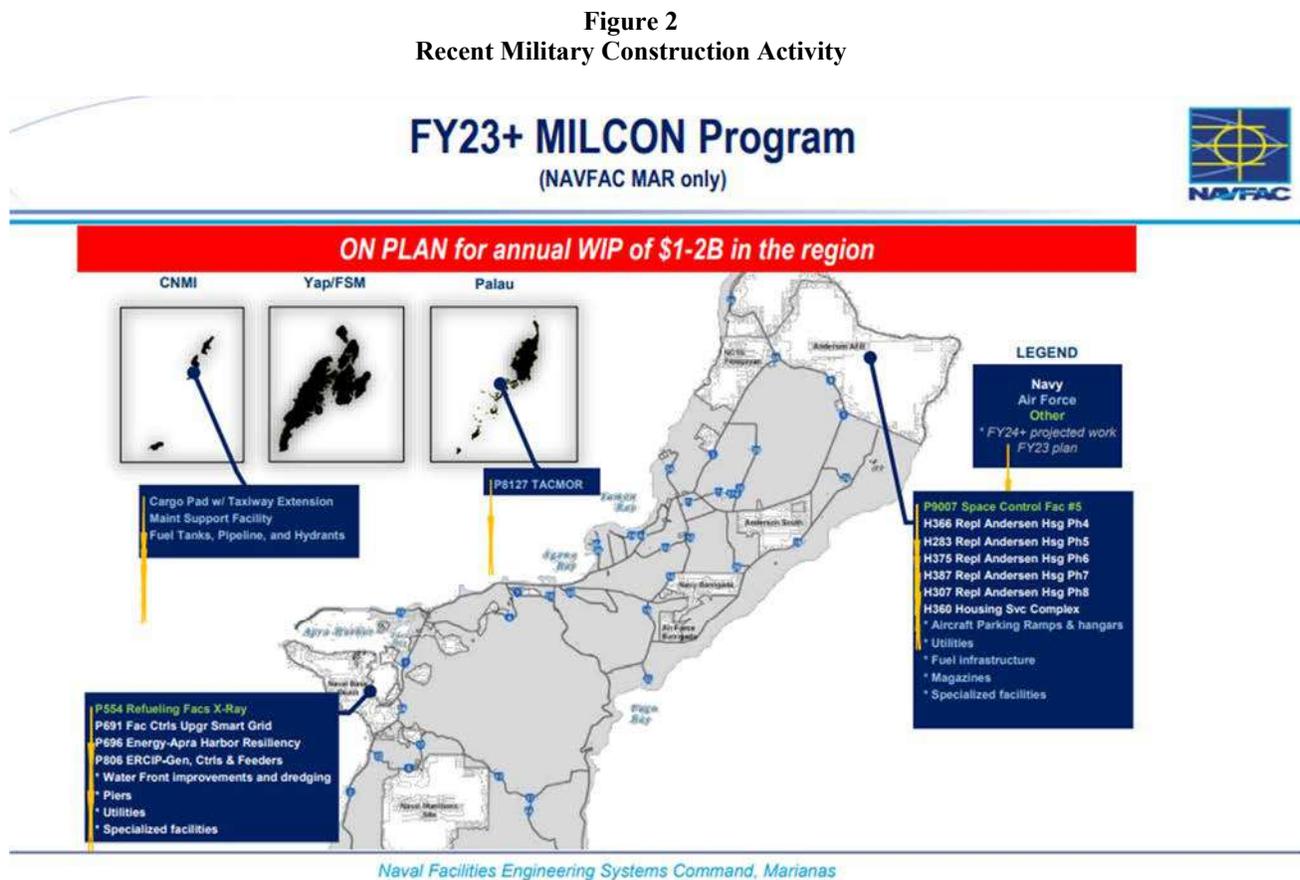
Federal activity on Guam continues with large contracts awarded on Guam since 2019. Some of the most recent military projects awarded can be found on Table A-18.

**Table A-18  
Military Projects Awarded on Guam 2021-2024**

<b>Navv Awarded</b>	<b>Company</b>	<b>Amount (\$)</b>	<b>Project</b>	<b>Anticipated Completion</b>
August 2021	Core Tech-HDCC-Kajima LLC.	546,000,000	For the construction of five multi-story bachelors enlisted quarters complexes at the Marine Base Camp Blaz	May 2026
April 2022	Hensel Phelps Construction Co.	36,000,000	Warehouse at U.S. Naval Support Activity, Marine Corps Base Camp Blaz	July 2024
April 2022	Black Construction-Tutor Perini Joint Venture	106,000,000	Bachelors Officer Quarters Tower at Marine Base Camp Blaz	December 2024
April 2022	Gilbane SMCC ECC LCC	35,000,000	Armory Facility Marine Corps Base Camp Blaz	August 2024
April 2022	Gilbane SMCC ECC LCC	62,000,000	Marine Expeditionary Brigade Enablers Facility Marine Corps Base Camp Blaz	September 2024
April 2022	Gilbane SMCC ECC LCC	40,000,000	Two Infantry Battalion Company Headquarters Marine Corps Base Camp Blaz	August 2024
April 2022	Granite Construction Co. Guam	35,990,000	Hardening of overhead roof structure, Joint Region Marianas	July 2024
May 2022	Gilbane SMCC ECC LCC	75,196,267	Permanent Maintenance Building, Administrative Building and other facilities for Maine Air Ground Combat Task Force	September 2024
May 2022	Black Construction-Tutor Perini Joint Venture	73,020,113	Low-rise facilities to support the 4 <sup>th</sup> Marine Regiment	August 2024
May 2022	Black Construction-Tutor Perini Joint Venture	48,919,252	Permanent Aviation Administration Building	August 2024
May 2022	Black Construction Corp.	83,733,445	For Design and Construction of Wharf Improvements at Naval Base Guam	September 2024
August 2022	RMA Architects Inc	35,000,000	IDIQ for AE Services for NAVFAC Pacific Housing Projects	August 2027
August 2022	Lockheed Martin Corporation	7,238,885,000	Design/Develop/Deliver HDR-G Radar System to Guam	2028
September 2022	Design Partners Inc	34,300,000	IDIQ for AE Services for NAVFAC Pacific Housing Projects	September 2027
September 2022	Global Pacific Design Builders LLC	33,184,524	Construct Guam Army National Guard Readiness Center	February 2025
October 2022	Design Partners Inc.	49,000,000	Indefinite-delivery/indefinite-quality architect-engineer contract	September 2027
October 2022	Black Construction-Tutor Perini Joint Venture	26,000,000	Design and construction of a communications facility at Joint Regions Marianas, Anderson Air Force Base	February 2025
April 2024	Pacific Rim Constructors Inc.	21,978,000	Construction at Marine Corps Base Camp Blaz of a permanent low-rise recreation center	October 2026
April 2024	Hensel Phelps Shimizu JV	78,432,217	Construction of a new single-story corrosion repair facility at Camp Blaz	October 2026
May 2024	Caddell-Nan a Joint Venture	44,265,264	Construction of a two-story education center at Camp Blaz	May 2026
May 2024	Black Construction – Tutor Perini Joint Venture	74,409,403	For the construction of a child development facility at Andersen Air Force Base	July 2026
May 2024	Pacific Rim Constructors Inc.,	176,929,610	For the design and construction of military housing at Andersen Air Force Base (AAFB), Guam	December 2028

Air Force Awarded	Company	Amount (\$)	Project	Anticipated Completion
August 2020	DZSP 21	48,000,000	Base Operating Support Services	April 2028
December 2021	Relyant Global LLC	28,992,210	Design and construction of eight new earth-covered munitions storage magazines at Andersen Air Force Base, Guam	February 2025
April 2022	Back Construction – Tutor Perini	106,000,000	Construction of a bachelor officer quarters with a multi-story housing tower, attached common area wing and detached utility building.	December 2024
May 2022	Reliable Builders Inc.	43,444,038	Munitions Storage Igloo	July 2025
July 2023	Core Tech International Corp.	216,876,249	design and construction (design-build) for the replacement of Andersen Housing, Naval Support Activity Andersen.	October 2026

Figure 2 below lists all planned Military construction activity tied to the buildup, and as reported as of November 14, 2022, by the Naval Facilities Engineering Systems Command (NAVFAC) Marianas demonstrating the growing activity of military construction on the island going forward for all military branches.



Source: NAVFAC Marianas

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## APPENDIX B

### SUMMARY OF THE FORM OF SIGNATORY AIRLINE OPERATING AGREEMENT AND TERMINAL BUILDING LEASE

*The Authority has entered into a Signatory Airline Operating Agreement and Terminal Building Lease that provides for the lease and use of certain premises and facilities of the Airport with each of Air Busan, Air Seoul, China Airlines, Japan Airlines, Jeju Air, Jin Air, Korean Air, Philippine Airlines, T'Way Air and United Airlines (each, a "Signatory Airline"). The agreements are substantially similar except for provisions relating to different exclusive use premises for each Signatory Airline. All of the agreements expire on September 30, 2024. The Authority is working with the Signatory Airlines to execute new airline operating agreements with substantially similar terms as the existing Airline Operating Agreements. The new airline operating agreements are expected to have a five-year term from October 1, 2024 through September 30, 2029. See "AGREEMENTS FOR USE OF AIRPORT FACILITIES – Airline Operating Agreements – General" in the front part of this Official Statement.*

*The following is a summary of certain provisions of a form of the Signatory Airline Operating Agreement and Terminal Building Lease (the "Agreement"). Reference is made to the Agreement for a complete statement of the provisions and contents thereof. Capitalized terms used herein which are not otherwise defined will have the meanings set forth in the Agreement.*

#### DEFINITIONS

**"Air Transportation"** means the carriage for hire of persons, baggage, property, cargo, and mail by aircraft.

**"Aircraft Arrivals"** means any aircraft arrivals at the Airport (including, without limitation, scheduled, charter, sightseeing, training, test, ferry, courtesy, and inspection flights, or any other flights) operated by an Air Transportation company. Aircraft Arrivals will not include any flights by aircraft owned or operated by the U.S. Government, or any aircraft returning to the Airport as the result of an equipment failure, passenger emergency, meteorological, or other precautionary reason without first landing at another airport.

**"Airline"** means the entity that has executed the Agreement and that is identified in the first paragraph of the Agreement. However, and notwithstanding anything to the contrary in the Agreement, for purposes of the enjoyment of the rights conferred on the Airline under the Agreement, it is agreed in the Agreement that any Airline Affiliate (as defined in the Agreement) of the Airline will have the rights afforded the Airline under the Agreement, including the right to use the premises leased under the Agreement to the Airline, without payment of any additional charges or premiums, it being agreed in the Agreement that such Airline Affiliate will be entitled to signatory rates and charges under the Agreement and that the Airline and any Airline Affiliates will be counted as one airline for purposes of computing any shared use or joint use charges; provided, however, that the Airline will be responsible for the actions (including the payment of any activity fees incurred by) any such Airline Affiliate while such Airline Affiliate operates at the Airport until the Airline gives the Authority 90 days advance written notice that the Airline will no longer be responsible for the actions (or activity fees) of such Airline Affiliate, at which time such Airline Affiliate may enter into its own agreement with the Authority.

**"Airline Affiliate"** means any Air Transportation company, to the extent that such Air Transportation company (i) is a parent or subsidiary of the Airline, or (ii) shares flight codes or livery with the Airline at the Airport, or (iii) otherwise operates under the Airline's trade name at the Airport, provided that no major airline, as such term is defined by the FAA, will be classified as an Affiliate of another major airline.

**"Airline Employees"** means airline crew, and other airline employees traveling on a non-revenue basis, but will not include dependents of airline employees.

**"Airport"** means the Antonio B. Won Pat International Airport, Guam, as the same may change from time to time, together with all related facilities owned or operated or acquired by the Authority, as further defined in the Bond Indenture.

“**Airport Cost Centers**” means direct cost areas to be used in accounting for Airport revenues and expenses and for calculating and adjusting rents and fees described in the Agreement, as more particularly described below:

A. “**Airfield Area**” means those areas of civil cost responsibility of the Airport, as they exist as of the date of the Agreement or as they may be expanded, modified, changed, or developed after the date of the Agreement, that provide for the landing, takeoff, taxiing, parking (other than in the Apron Area), or other operations of aircraft. The Airfield Area includes the runways, taxiways, approach and clear zones, safety areas, infield areas, landing and navigational aids, and other facilities and land areas at the Airport required by or related to aircraft operations.

B. “**Apron Area**” means the areas of the Airport, as they exist as of the date of the Agreement or as they may be expanded, modified, changed or developed after the date of the Agreement, that are dedicated to the parking, servicing, and ground handling of aircraft.

C. “**Terminal Area**” means the access roads, public and employee automobile parking areas, and other areas surrounding the Terminal Building, as such areas exist as of the date of the Agreement or as they may be expanded, modified, changed, or developed after the date of the Agreement.

D. “**Terminal Building**” means the terminal building serving the airlines together with the associated concourses, as such areas exist as of the date of the Agreement or as they may be expanded, modified, changed, or developed after the date of the Agreement.

E. “**Other Buildings and Areas**” means those portions of the Airport not included in the preceding Airport Cost Centers, including the facilities, installations, and improvements thereon as such areas exist as of the date of the Agreement or as they may be expanded, modified, changed, developed, or acquired after the date of the Agreement.

“**Airport Requirement**” means all costs and expenses incidental to, necessary for, or arising out of the operation of the Airport, including but not limited to Operation and Maintenance Expenses, Annual Debt Service and coverage on Airport revenue bonds, repayment of loans, and the cost of defending, settling, or satisfying the results of any litigation or threatened litigation directly arising out of the operation and management of the Airport or any aspect thereof.

“**Airport Revenue**” means Revenues as defined in the Bond Indenture.

“**Annual Debt Service**” means the aggregate Annual Debt Service as defined in the Bond Indenture.

“**Annual Budget**” means the budget of the Authority pertaining to the Airport for any Fiscal Year.

“**Apron Use Fee**” means the fee charged to the Airline for each use by the Airline of the Apron Area by the Airline’s aircraft.

“**Arrival Fee**” means the fee charged to the Airline for each Arriving Passenger carried by the Airline.

“**Arrivals Facilities**” means those Terminal Building facilities used for Arriving Passengers, including customs inspection, inbound baggage handling, baggage claim and certain other areas.

“**Arriving Passengers**” means revenue and non-revenue passengers, excluding Airline Employees, arriving at the Airport and terminating their journeys in Guam.

“**Bond Indenture**” means the 2003 Indenture relating to the Guam International Airport Authority 2003 General Revenue Bonds, together with any supplemental bond indenture and any future indentures or resolutions, authorizing the issuance of Bonds, other than Special Facility Bonds, payable from Airport Revenue.

“**Bonds**” means any bond or bonds issued in accordance with the provisions of the Bond Indenture, other authorizing legislation enacted in accordance with the provisions of the Bond Indenture, other authorizing legislation enacted by the Territory as more specifically defined in such Bond Indenture, or such other authorizing legislation enacted by the Territory.

“**Capital Improvement**” means any single item or a series of substantially similar items having an aggregate net cost in excess of \$100,000 and a useful life in excess of five years acquired, purchased, or constructed to improve, maintain, preserve, or develop the Airport.

“**Capital Improvement Fund**” means the fund described in the Agreement.

“**Common Use Departure Fee**” means the fee charged to the Airline for each Departing Passenger carried by that Airline that utilizes the Common-Use Ticket Counter Space.

“**Common Use Ticket Counter Space**” means the premises leased by the Authority to the Airline and one or more other airlines.

“**Departing Passengers**” means the Airline’s revenue and non-revenue passengers, excluding Airline Employees, originating their journey in Guam.

“**Departure Facilities**” means those Terminal Building facilities used for the Airline’s Enplaned Passengers including departure lounges, baggage make up, bus gate facilities, security and certain other areas.

“**Departure Fee**” means the fee charged to the Airline for each Departing Passenger carried by that Airline.

“**Deplaned Passengers**” means (1) Arriving Passengers, and (2) in- transit passengers arriving at and departing from the Airport on the same flight, or making a connection with another flight; and will include revenue and non-revenue passengers, excluding Airline Employees.

“**Enplaned Passengers**” means (1) Departing Passengers and (2) in- transit passengers arriving in and departing from the Airport on the same flight, or making a connection with another flight; and will include revenue and non-revenue passengers, excluding Airline Employees.

“**Exclusive Use Space**” means the premises leased by the Authority to the Airline, as more fully set forth in the Agreement.

“**Executive Manager**” means the Executive Manager of the Authority, designated as such by the Authority.

“**FAA**” means the Federal Aviation Administration of the U.S. Government or any federal agencies succeeding to its jurisdiction.

“**Fiscal Year**” means the 12 months commencing on October 1 of any calendar year and ending on September 30 of the next succeeding calendar year or any other 12-month period established by the Authority.

“**Immigration Inspection Facilities**” means those facilities operated by U.S. immigration authorities, including passenger inspection areas and other office and support space.

“**Immigration Inspection Fee**” means the fee charged by the Authority to the Airline for each Deplaned Passenger of that Airline, who uses Airport Immigration Inspection Facilities.

“**Joint Airline Use Space**” means the premises leased by the Authority to the Airline and one or more other airlines, as more particularly set forth in the Agreement.

“**Landing Fee**” means the fee charged to the Airline for each Airline’s Aircraft Arrival made at the Airport.

**“Loading Bridge Use”** means each Aircraft Arrival which uses a Loading Bridge Position for enplaning and/or deplaning passengers or Airline Employees, excluding use by an aircraft returning to a gate as a result of an equipment failure, passenger emergency, meteorological or other precautionary reason without first landing at another airport.

**“Loading Bridge Use Fee”** means the fee charged to the Airline for each Loading Bridge Use.

**“Maximum Certificated Gross Takeoff Weight”** means the maximum certificated weight, in 1,000-pound units, that each aircraft operated by the Airline is certificated by either the FAA for U.S. or non-U.S. airlines or the government of the country of origin for non-U.S. airlines, as recited in the Airline’s flight manual governing that aircraft type. Maximum Certificated Gross Takeoff Weight will be rounded up to nearest 1,000-pound unit for all landing fee computations. For the purposes of the Agreement, widebody aircraft are those having a Maximum Certificated Gross Takeoff Weight in excess of 240,000 pounds.

**“Monthly Revenue Report”** means the monthly report, provided by the Airline to the Authority, that will include the following data in the format stated by the Authority:

A. Passenger Data

i. Deplaned Passengers

- a. Arriving passengers: revenue, non-revenue and total categories displayed by domestic, international and total.
- b. Inbound in-transit passengers: revenue, non-revenue and total categories displayed by thru, connecting and total.
- c. Total deplaned passengers.

ii. Enplaned Passengers

- a. Departing Passengers: revenue, non-revenue and total categories displayed by domestic, international and total.
- b. Outbound in-transit passengers: revenue, non-revenue and total categories displayed by thru, connecting and total.
- c. Total enplaned passengers.
- d. Number of Departing Passengers using the Common Use Ticket Counters.

B. Cargo/Mail Data

- a. Cargo (pounds): revenue, non-revenue and total categories displayed by deplaned, enplaned and total.
- b. Mail (pounds): revenue, non-revenue and total categories displayed by deplaned, enplaned and total.

C. Aircraft operations

- i. Number of aircraft arrivals by aircraft type, and category of scheduled passenger, charter passenger, cargo, other and total.
- ii. Aircraft Maximum Certificated Gross Takeoff Weight and Loading Bridge Use.

- iii. For the prior month, the number, dates and times of all aircraft parked at the gate and remaining overnight.

**“Operation and Maintenance Expenses”** means all reasonable and necessary current expenses of the Authority, paid or accrued, for operating, maintaining, and repairing the Airport, as more specifically defined in the Bond Indenture.

**“Passenger Facility Charge”** or **“PFC”** means a charge authorized by Federal Aviation Regulations 14 CFR Part 158 and imposed by the Authority on enplaned passengers (as defined in FAR 14 CFR Part 158) at the Airport, as same may be amended, modified, or supplemented from time to time.

**“Signatory Airlines”** means those airlines providing Air Transportation to and from the Airport that have executed substantially similar agreements with the Authority covering the use and occupancy of facilities at the Airport.

**“Terminal Building Requirement”** means the total amounts summarized in the section captioned “Calculation of Terminal Building Rental Rate,” used to calculate the Terminal Building rental rate.

**“Total Takeoff Weight”** means the sum of the Maximum Certificated Gross Takeoff Weight for all Signatory Airline Aircraft Arrivals over a stated period of time. Said sum will be rounded up to the nearest 1,000-pound unit for all landing fee computations.

**“Usable Space”** means the gross space in the Terminal Building at the Airport less mechanical and administration space, as more particularly set forth in the Agreement.

## **TERM**

The term of the Agreement is 5 years commencing October 1, 2019. The parties agree in the Agreement that Guam law (5 GCA § 5127) precludes the Authority from entering into an agreement for the use of public real property for a term in excess of 5 years. In the event that 5 GCA § 5127 is amended to exclude or otherwise permit the Agreement prior to the expiration of the initial term, upon mutual agreement of the Authority and Airline in writing, the Agreement will be extended for an additional 5-year term upon the same terms and conditions as provided in the Agreement.

*The Authority is working with the Signatory Airlines to execute new airline operating agreements with substantially similar terms as the existing Airline Operating Agreements. The new airline operating agreements are expected to have a five-year term from October 1, 2024 through September 30, 2029. See “AGREEMENTS FOR USE OF AIRPORT FACILITIES – Airline Operating Agreements – General” in the front part of this Official Statement.*

## **PREMISES**

### Airline Relinquishment of Exclusively Leased Space

From time to time during the term of the Agreement, it may become necessary for the Airline to relinquish exclusively leased space to the Authority. In the event the Airline wishes to relinquish exclusively leased space, it is required to give the Authority notice of its intent to relinquish such space. The notice will identify the specific exclusively leased space to be returned to the Authority. The space identified in the Airline’s notice will be deemed to be automatically excluded from the Airline’s leasehold on September 30th in the Fiscal Year in which notice is received by the Authority. The Airline will be responsible for the payment of rent through September 30th in the Fiscal Year in which notice is received by the Authority, unless the relinquished space is relet or reassigned prior to September 30th, in which case the Airline will only be required to pay rent on that space through the date such lease or assignment is effective or any new tenant occupies the relinquished space.

## CAPITAL IMPROVEMENTS

### Capital Improvements

*Report by Executive Manager.* On or before July 1 of each Fiscal Year, the Executive Manager will report to the Signatory Airlines the purchase price, design and construction cost, or lease cost of Capital Improvements to be programmed and included in the Annual Budget for the ensuing Fiscal Year and the debt service and/or amortization, or lease payment schedule to be added to the rents and fees, pursuant to the Agreement, for those Capital Improvements.

The report will include, for Capital Improvements, the following: (1) a description of the proposed Capital Improvement, together with cost estimates and any available preliminary drawings; (2) a statement of the need for such Capital Improvement; (3) a statement of the benefits to be derived from such Capital Improvement; (4) the referred means of financing (including the terms of any loans and projected interest rate); and (5) the allocation of the cost thereof within the Airport Cost Centers and the estimated effect on airline rents and fees.

*Meeting of Signatory Airlines.* Within a reasonable time, but no sooner than 14 days after distribution of the report, the Executive Manager will convene a meeting of the Signatory Airlines to discuss the proposed Capital Improvements and the preferred means of financing their costs. Each Capital Improvement that 60% of the Signatory Airlines in number who pay more than 60% of the rents and fees (during the prior 12 month period) do not disapprove of in writing within 30 days following the meeting (or the date any supporting documentation for the proposed Capital Improvements is provided by the Authority) are deemed to be concurred with and may be implemented at any time following the meeting.

*Disapproval by Sixty Percent.* For each Capital Improvement which 60% of the Signatory Airlines in number who pay more than 60% of the rents and fees disapprove, the Executive Manager will convene a second meeting of the Signatory Airlines no sooner than 30 days following the first meeting at which the Executive Manager will respond to questions raised during the first meeting, and provide the Signatory Airlines with the requested information concerning the Capital Improvement(s). If, within 30 days after the second meeting, 60% of the Signatory Airlines in number who pay more than 60% of the rents and fees notify the Authority that they disapprove of said Capital Improvement(s), the Capital Improvement(s) will be deferred until the next ensuing Fiscal Year. In such ensuing Fiscal Year, if the Authority decides to proceed to implement such Capital Improvement(s) the Authority may do so without further meeting or approval, and will disclose the Capital Improvement(s) (subject to the provisions of the sections captioned “ – Other Implementation of Capital Improvement” and “ – Capital Improvement Cost Greater Than \$10 Million” herein) in the Annual Budget and include the amortization, debt service (including coverage), or loan payments for such Capital Improvement(s) in the rents and fees of the Signatory Airlines.

*Inclusion of Capital Improvements in Rents and Fees.* If any proposed Capital Improvement is disapproved, the Authority may include the amortization, debt service (including coverage), or loan payments for such Capital Improvement in the calculation of Signatory Airline rents and fees if the Authority determines that such Capital Improvement is necessary or prudent to ensure compliance with a rule, regulation, or order of any governmental agency that has jurisdiction over the operation of the Airport.

*Other Implementation of Capital Improvement.* The Authority may also implement any proposed Capital Improvement if the amortization, debt service (including coverage), or loan payments for such Capital Improvement are not to be included in Signatory Airline rents and fees.

*Capital Improvement Cost Greater Than \$10 Million.* Other than recited in the section captioned “– Other Implementation of Capital Improvement” herein, the Authority may not acquire, purchase or construct any Capital Improvement having a cost in excess of \$10,000,000 if concurrence of such improvement is specifically withheld by 60% of Signatory Airlines in number who pay more than 60% of the Signatory Airline rents and fees.

## **RENTS AND FEES**

### Consideration

The consideration that the Airline agrees to provide the Authority for leasing Exclusive Use Space and Joint Airline Use Space, and using the Airfield Area, Apron Area, Terminal Area, and Other Buildings and Areas, and exercising the other rights and privileges under the Agreement is (1) providing regularly scheduled Air Transportation to and from the Airport, and (2) paying the rents and fees described in the Agreement. Failure to provide regularly scheduled Air Transportation to and from the Airport for a period of 60 days (except as a result of governmental action, during periods of labor disputes, or as a result of damage or destruction of facilities in accordance with the section captioned “Damage and Destruction” herein) will permit the Authority to terminate the Agreement on 30 days advance written notice. If the Airline resumes regularly scheduled Air Transportation to and from the Airport within this period, the Agreement will continue in full force and effect. Unless the Agreement is terminated in whole or in part by Authority, the Airline will pay to the Authority rents and fees under the Agreement for the term of the Agreement. In the event the Authority terminates the Agreement pursuant to this section captioned “– Consideration,” the Airline will have no further liability to the Authority under the Agreement except for liabilities incurred prior to the termination date.

### Payments to Authority

*Failure to Pay Rent or Submit Monthly Revenue Report.* If the Airline fails to furnish the Executive Manager with the activity report and payments of fees required by the Agreement, the Airline’s fees will be determined as follows: (1) the Airline’s Departure Fee, Common Use Departure Fee, and Arrival Fee will be determined by assuming that the Enplaned Passengers and Arriving Passengers for the Airline during the preceding month were 110% of the Airline’s Enplaned Passengers and Arriving Passengers during the most recent month for which such figure is available for the Airline; (2) the Airline’s Immigration Inspection Fees will be determined by assuming that the international Deplaned Passengers for the Airline during the preceding month were one 110% of the Airline’s international Deplaned Passengers during the most recent month for which such figure is available for the Airline; (3) the Airline’s Loading Bridge Use Fees will be determined by assuming that the Loading Bridge Uses for the Airline during the preceding month were 110% of the Airline’s Loading Bridge Uses during the most recent month for which such figure is available; (4) the Airline’s Apron Use Fees will be determined by assuming that the Aircraft Arrivals for the Airline during the preceding month were 110% of the Airline’s Aircraft Arrivals during the most recent month for which such figure is available for the Airline; and (5) the Airline’s Landing Fees will be determined by assuming that the takeoff weight for the Airline during the preceding month was 110% of the Airline’s takeoff weight during the most recent month for which such figure is available for the Airline.

### Additional Rent

The Authority, after due notice to the Airline, may, but is not obligated to, cure any default on the Airline’s part in fulfilling the Airline’s covenants and obligations under the Agreement. Any amounts paid or costs incurred by the Authority to cure any such default by the Airline are agreed on and declared to be additional rent. Unless otherwise provided in the Agreement, all additional rent will be due and payable with the next succeeding installment of monthly rent due under the Agreement.

### Additional Passenger Fees and Charges

*Passenger Facility Charge.* Legislation and regulations have been enacted that permit the Authority to levy PFCs on the Airline’s passengers using the Airport (Federal Aviation Regulations 14 CFR Part 158). The Agreement is subject and subordinate to such legislation and regulation, and the Authority reserves the right to enact such fee. The Authority currently levies a PFC (as approved by the FAA), and the Airline agrees to cooperate with the collection of such PFC amounts in accordance with FAA regulations. The Authority reserves the right to implement such other similar fees or charges as may be authorized by cognizant governmental authorities having jurisdiction over the Authority in its capacity as operator of the Airport.

*Passenger Facility Charge Revenue.* The Airline will hold the net principal amount of all PFCs that are collected by Airline or its agents on behalf of the Authority pursuant to 49 U.S.C. § 40117 and the rules and regulations thereunder (14 C.F.R. Part 158, herein, the “PFC Regulations”) (such net principal amount, “PFC Revenue”) in trust for the Authority. For purposes of this section captioned “– Passenger Facility Charge Revenue”, net principal amount will mean the total principal amount of all PFCs that are collected by Airline or its agents on behalf of the Authority, reduced by all amounts that Airline is permitted to retain pursuant to Section 158.53(a) of the PFC Regulations.

#### Fees for Other Commercial Activities

Notwithstanding any other provision of the Agreement, the Authority expressly reserves the right to establish charges and fees for other commercial activities except the Airline’s Air Transportation activities at the Airport. Such commercial activities may include, but not be limited to, merchandising (both duty free and duty paid), food, beverage, insurance, rental car, currency exchange, parking, category sales, and other concession operations that are available to the public. In addition, the following specific provisions may apply to the Airline:

*In-flight Meals.* Should the Airline purchase in-flight meals for consumption aboard its aircraft or other prepared foodstuffs for consumption within the Airline’s Exclusive Use Space from any supplier other than a food concessionaire on the Airport, the Authority may impose a percentage fee upon such supplier no greater than the percentage fee paid for similar sales by any inflight food concessionaire authorized at the Airport. It is understood that the Authority will not impose a percentage fee on in-flight meals prepared in flight kitchens operated by the Airline (including a subsidiary of the Airline) for consumption in flight by the Airline’s passengers.

*Aircraft Maintenance and Ground Service.* Should the Airline contract with a third party (other than another Signatory Airline) to provide maintenance and service upon its aircraft or to furnish ground services that might otherwise be performed by the Airline under the Agreement, such third party (other than another Signatory Airline) will be deemed to be conducting a business at the Airport and must, at all times while so engaged, meet the requirements of and have an agreement with the Authority. The Authority may impose charges, rents, and fees upon such third party for facilities use and for services provided for all Airport tenants.

*Ground Transportation Commercial Carrier.* Any ground transportation commercial carrier regularly transporting persons or their baggage to and from the Airport, any contractor or supplier who is requested by the Airline to supply goods and services on the Airport, and all parties who are requested by the Airline to go beyond the roads furnished for the public at the Airport will first secure and thereafter hold a valid license or other agreement with the Authority for the right to perform such acts and will pay the Authority fees in amounts no less than the cost of issuing and administering such licenses and agreements, plus 10% of such cost. In addition, any ground transportation commercial carrier regularly transporting persons except as provided in the Agreement or their baggage to and/or from the Airport will first agree in writing to pay the Authority such rents, fees, or percentage of the fares or charges for such ground transportation as the Authority and such carrier may establish in a written agreement. All such ground transportation will be conducted and be subject to the Rules and Regulations.

#### Aircraft Storage Fee

The Airline will pay the Authority for the storage of the Airline’s aircraft on designated storage aprons (not at the Airline’s parking positions) at reasonable rates fixed by the Authority from time to time in the Rules and Regulations and Airport Tariff Schedule, where aircraft storage will be defined to occur at any time after the Airline’s aircraft has been parked at the Airport for longer than 48 continuous hours.

#### No Other Fees and Charges

Except as expressly provided for in the Agreement, no further rents, fees, or charges will be levied against or collected from the Airline, its passengers, shippers, and receivers of freight and express nor its suppliers of material, contractors, or furnishers of services by the Authority for the premises, facilities, rights, licenses, and privileges granted to the Airline under the Agreement. However, the Authority expressly reserves the right to assess and collect reasonable fees from parties other than the Airline for inflight catering, vending, ground transportation,

and other services provided to the Airline. Also, the Authority expressly reserves the right to assess and collect a PFC in accordance with the section captioned “Additional Passenger Fees and Charges” herein.

Anything in the Agreement to the contrary notwithstanding, this section captioned “ – No Other Fees and Charges” will not be interpreted or understood as contracting away the Authority’s governmental authority.

## **ADJUSTMENT OF AIRLINE RENTS AND FEES**

### Effective Date of Adjustments

The Terminal Building rental rates, Departure Fee, Arrival Fee, Immigration Inspection Fee, Loading Bridge Use Fee, Apron Use Fee, and the Landing Fee rate will be adjusted annually during the term of the Agreement as set forth in the Agreement. Such adjustments will be effective on the first day of the Fiscal Year for which they apply.

### Annual Budget

Each year the Authority will adopt an Annual Budget for the Airport and establish Terminal Building rental rates, a Departure Fee, an Arrival Fee, an Immigration Inspection Fee, a Loading Bridge Use Fee, an Apron Use Fee and a Landing Fee rate. It is the intent of this section captioned “– Annual Budget” to provide a meaningful consultation process in which (1) the Authority can review its Annual Budget with the Airline, and (2) the Airline will have an opportunity to comment on the Annual Budget prior to the Annual Budget being adopted by the Authority. The Authority will give due consideration to the Airline’s input and comments on the Annual Budget received during the consultation process. The following is the Annual Budget review process.

*Estimate of Maximum Certificated Total Gross Takeoff Weight.* On or before May 1 of each Fiscal Year, the Airline will submit to the Executive Manager a written estimate of the Maximum Certificated Total Gross Takeoff Weight for the Airline for the succeeding Fiscal Year.

*Authority’s Proposed Annual Budget.* On or before July 1 of each Fiscal Year, the Authority will submit to the Airline its proposed Annual Budget for the succeeding Fiscal Year, including: (1) estimated Operation and Maintenance Expenses; (2) Annual Debt Service, if any, and any fund deposits required pursuant to the Bond Indenture; (3) amortization of the Authority’s funded assets; (4) a statement of estimated revenue from all sources other than Signatory Airline Terminal Building rents, Departure Fees, Common Use Departure Fees, Arrival Fees, immigration inspection Fees, Loading Bridge Use Fees, Apron Use Fees, and Landing Fees for the succeeding Fiscal Year; (5) a schedule of the Capital Improvements to the Airport proposed to be undertaken by the Authority during the succeeding Fiscal Year and (6) a preliminary calculation of the Terminal Building rental rates, Departure Fee, Common Use Departure Fee, Arrival Fee, Immigration Inspection Fee, Loading Bridge Use Fee, Apron Use Fee, and the Landing Fee rate for the succeeding Fiscal Year, calculated in accordance with the sections captioned “ – Calculation of Terminal Building Rental Rates,” “Calculation of Departure Fee,” “ Calculation of Arrival Fee,” “Calculation of Immigration Inspection Fee,” “Calculation of Loading Bridge Use Fee,” “Calculation of Apron Use Fee” and “Calculation of Landing Fee Rate” herein.

Within 30 days after distribution of the report required under the section captioned “– Authority’s Proposed Annual Budget,” the Executive Manager will convene a meeting of the Signatory Airlines to discuss the Annual Budget.

If the Signatory Airlines request additional information concerning the Annual Budget, the Executive Manager will convene a second meeting of the Signatory Airlines to discuss such additional information. Upon notice by the Executive Manager, the second meeting is required to be held within 30 days after the first meeting. At the second meeting, the Executive Manager will respond to questions raised during the first meeting and provide the Signatory Airlines with the requested information concerning the Annual Budget. If, after the second meeting, the Signatory Airlines do not concur with said Annual Budget and so notify the Executive Manager within 10 days after the second meeting, the Executive Manager will at the request of the Signatory Airlines schedule a meeting between the Signatory Airlines and the Authority.

If, for any reason, the Annual Budget has not been adopted as of the first day of any Fiscal Year, the rents and fees in effect during the preceding Fiscal Year will continue in effect until the new Annual Budget has been adopted by the Authority and the Authority has calculated the rents and fees in accordance therewith. The new rents and fees will then be made effective retroactive to the first day of such Fiscal Year, or upon agreement of Signatory Airlines and the Authority the total amount of the uncollected rents and fees accrued since the beginning of the Fiscal Year may be combined with the rents and fees to be collected over the remainder of the Fiscal Year and the new rental rates and other charges adjusted accordingly.

The Executive Manager will promptly furnish the Airline with a copy of a report containing such adopted Annual Budget together with the calculation of Terminal Building rental rates, the Departure Fee, Common Use Departure Fee, the Arrival Fee, the Immigration Inspection Fee, the Loading Bridge Use Fee, the Apron Use Fee, and the Landing Fee rate that will be effective from and after the beginning of the Fiscal Year for which the Annual Budget is adopted.

The Authority retains the responsibility and expressly reserves the right to make all final decisions with respect to the Annual Budget, and any subsequent amendment thereof. Such decisions will be consistent with and pursuant to the terms and conditions of the Agreement.

#### Calculation of Terminal Building Rental Rates

Each year the Executive Manager will calculate the Terminal Building Requirement for the succeeding Fiscal Year by totaling the following amounts, as set forth in the Authority's Annual Budget: (1) the total of direct and allocated indirect estimated Operation and Maintenance Expenses allocated to the Terminal Building; (2) an amount 1.25 times the pro rata portion of Airport Annual Debt Service, if any, allocated to the Terminal Building, or such other amount as may be required by the Bond Indenture; (3) the pro rata portion of the annual requirement of any subordinate security or other loans allocated to the Terminal Building; (4) the pro rata portion of the estimated amount, if any, for other deposits required by the Bond Indenture or the Agreement and allocated to the Terminal Building; (5) the total amount or the pro rata portion of the annual amortization allocated to the Terminal Building of any Capital Improvements placed in service by the Authority prior to or after the date of the Agreement and prior to the beginning of the Fiscal Year for which the rates and fees are being determined, which have been financed by the Authority from its own resources. Such annual amortization is to be calculated and based on the economic life for each capital item determined by the Authority in accordance with generally accepted accounting principles at an interest rate equal to the average interest rate on outstanding Authority Bonds for the preceding calendar year or at such other rate as to which the Signatory Airlines and the Authority may agree. In performing the calculations under this section captioned "Calculation of Terminal Building Rental Rates," no amortization charges will be included on capital expenditures that have been financed with grants-in-aid or the proceeds of Authority Bonds or other securities, the debt service for which has been included elsewhere in this section captioned "Calculation of Terminal Building Rental Rates"; (6) the estimated amount of any assessment, judgment, or charge (net of insurance proceeds) to become payable by the Authority relating directly to the Airport or its operation and allocated to the Terminal Building; (7) any estimated deficit or credit for the operation of the Terminal Building during the then-current Fiscal Year or any adjustment carried over from preceding Fiscal Years to reflect any difference between actual versus estimated expenses; and (8) a credit equal to the allocated portion of the balance in the Other Available Moneys Coverage Subaccount.

The Terminal Building rental rate will then be calculated by dividing the Net Terminal Building Requirement computed pursuant to this section captioned "Calculation of Terminal Building Rental Rates" by the Usable Space. The Terminal Building rental rate will be multiplied by the total square footage of Exclusive Use and Joint Airline Use Space (excluding Departure Facilities, Arrival Facilities, Common Use Ticket Counter Space, and Immigration Inspection Facilities, the cost of which will be recovered through the Departure Fee, Arrival Fee, Common Use Departure Fee, and Immigration Inspection Fee) leased by all airlines to determine the annual portion of the Terminal Building Requirement to be recovered through airline Terminal Building space rentals.

#### Calculation of Departure Fee

*Departure Fee Requirement.* Each year the Executive Manager will calculate the Departure Fee requirement for the succeeding Fiscal Year by multiplying the total square footage of the Departures Facilities (as

set forth in the Agreement) by the average annual Terminal Building rental rate calculated in the section captioned “Calculation of Terminal Building Rental Rates” herein.

*Departure Fee.* The Departure Fee is calculated by dividing the Departure Fee requirement by the estimated number of Signatory Airline Departing Passengers at the Airport for the succeeding Fiscal Year as projected by the Executive Manager. The Executive Manager will give consideration to estimates of numbers of passengers provided by the Signatory Airlines. The Departure Fee is payable monthly in accordance with the Agreement.

#### Calculation of Arrival Fee

*Arrival Fee Requirement.* Each year the Executive Manager will calculate the Arrival Fee requirement for the succeeding Fiscal Year by multiplying the total square footage of the Arrivals Facilities (as set forth in the Agreement) by the average annual Terminal Building rental rate calculated in the section captioned “Calculation of Terminal Building Rental Rates” herein.

*Arrival Fee.* The Arrival Fee is calculated by dividing the Arrival Fee requirement by the estimated number of Signatory Airline Arriving Passengers at the Airport for the succeeding Fiscal Year as projected by the Executive Manager. The Executive Manager will give consideration to estimates of numbers of passengers provided by the Signatory Airlines. The Arrival Fee is payable monthly in accordance with the Agreement.

#### Calculation of Immigration Inspection Fee

*Immigration Inspection Fee Requirement.* Each year, the Executive Manager will calculate the Immigration Inspection Fee requirement for the succeeding Fiscal Year by multiplying the total square footage of the Immigration Inspection Facilities (as set forth in the Agreement) by the average annual Terminal Building rental rate calculated in the section captioned “Calculation of Terminal Building Rental Rates” herein.

*Immigration Inspection Fee.* The Immigration Inspection Fee is calculated by dividing the Immigration Inspection Fee requirement by the estimated number of Signatory Airline international Deplaned Passengers at the Airport for the succeeding Fiscal Year as projected by the Executive Manager. The Executive Manager will give consideration to estimates of numbers of passengers provided by the Signatory Airlines. The Immigration Inspection Fee is payable monthly in accordance with the Agreement.

#### Calculation of Loading Bridge Use Fee

*Loading Bridge Use Fee Requirement.* Each year the Executive Manager will calculate the Loading Bridge Use Fee requirement for the succeeding Fiscal Year by totaling the following amounts, as set forth in the Authority’s Annual Budget: (1) the total of direct estimated Operation and Maintenance Expenses allocated to the Loading Bridges; (2) an amount 1.25 times the pro rata portion of Airport Annual Debt Service, if any, allocated to the Loading Bridges, or such other amount as may be required by the Bond Indenture; (3) the pro rata portion of the annual requirement of any subordinate security or other loans allocated to the Loading Bridges; (4) the pro rata portion of the estimated amount, if any, for other deposits required by the Bond Indenture or the Agreement and allocated to the Loading Bridges; (5) the total amount or the pro rata portion of the annual amortization allocated to the Loading Bridges, of any Capital Improvements placed in service by the Authority prior to or after the date of the Agreement and prior to the beginning of the Fiscal Year for which the rates and charges are being determined, which have been financed by the Authority from its own resources. Such annual amortization is to be calculated and based on the economic life for each capital item determined by the Authority in accordance with generally accepted accounting principles at an interest rate equal to the average interest rate on outstanding Authority Bonds for the preceding calendar year or at such other rate as to which the Signatory Airlines and the Authority may agree. In performing the calculations under this section captioned “– Loading Bridge Use Fee Requirement,” no amortization charges will be included on capital expenditures that have been financed with grants-in-aid or the proceeds of Authority Bonds or other securities, the debt service for which has been included elsewhere in this section captioned “– Loading Bridge Use Fee Requirement”; (6) the estimated amount of any assessment, judgment, or charge (net of insurance proceeds) to become payable by the Authority relating directly to the Airport or its operation and allocated

to the Loading Bridges; and (7) any estimated deficit or credit for the operation of the Loading Bridges during the then-current Fiscal Year or any adjustment carried over from preceding Fiscal Years to reflect any difference between actual versus estimated expenses.

*Loading Bridge Use Fee.* The Loading Bridge Use Fee is calculated by dividing the Loading Bridge Use Fee requirement by the estimated number of Signatory Airline Loading Bridge Uses for the succeeding Fiscal Year as projected by the Executive Manager. The Loading Bridge Use Fee is payable monthly in accordance with the Agreement.

#### Calculation of Apron Use Fee

*Apron Area Requirement.* Each year the Executive Manager will calculate the Apron Area requirement for the succeeding Fiscal Year by totaling the following amounts, as set forth in the Authority's Annual Budget: (1) the total of direct and allocated indirect estimated Operation and Maintenance Expenses allocated to the Apron Area; (2) an amount 1.25 times the pro rata portion of Airport Annual Debt Service, if any, allocated to the Apron Area, or such other amount as may be required by the Bond Indenture; (3) the pro rata portion of the annual requirement of any subordinate security or other loans of the Authority allocated to the Apron Area; (4) the pro rata portion of the estimated amount, if any, for other deposits required by the Bond Indenture or the Agreement and allocated to the Apron Area; (5) the total amount or the pro rata portion of the annual amortization allocated to the Apron Area of any Capital Improvements placed in service by the Authority prior to or after the date of the Agreement and prior to the beginning of the Fiscal Year for which the rates and charges are being determined, which have been financed by the Authority from its own resources. Such annual amortization is to be calculated and based on the economic life for each capital item determined by the Authority in accordance with generally accepted accounting principles at an interest rate equal to the average interest rate on outstanding Authority Bonds for the preceding calendar year or at such other rate as to which the parties may agree. In performing the calculations under this section captioned "Apron Area Requirement," no amortization charges will be included on capital expenditures that have been financed with grants-in-aid or the proceeds of Authority Bonds or other securities, the debt service for which has been included elsewhere in this section captioned "Apron Area Requirement"; (6) the estimated amount of any assessment, judgment, or charge (net of insurance proceeds) to become payable by the Authority relating directly to the Airport or its operation and allocated to the Apron Area; (7) any estimated deficit or credit for operation of the Apron Area during the then-current Fiscal Year or any adjustment carried over from the preceding Fiscal Years to reflect any difference between actual versus estimated expenses.

*Apron Use Fee.* The Apron Use Fee is calculated by dividing the Apron Area requirement by the estimate of the Total Takeoff Weight of all Signatory Airline Aircraft Arrivals at the Airport for the succeeding Fiscal Year as projected by the Executive Manager based in part on the estimates provided by the Signatory Airlines. The Apron Use Fee is payable monthly in accordance with the Agreement.

#### Calculation of Landing Fee Rate

*Airport Requirement.* Each year, the Executive Manager will calculate the Airport Requirement for the succeeding Fiscal Year by totaling the following amounts, as set forth in the Authority's Annual Budget: (1) the total of the direct and indirect estimated Operation and Maintenance Expenses of the Authority; (2) an amount 1.25 times Airport Annual Debt Service, or such other amount as may be required by the Bond Indenture; (3) the estimated amount of the annual requirement of any subordinate security or other loans pertaining to the Airport; (4) the estimated amount, if any, for other deposits required by the Bond Indenture or the Agreement; (5) the annual amortization allocated to the Terminal Building, Apron Area, Airfield Area, and Loading Bridges of the total amount of any Capital Improvements placed in service by the Authority prior to or after the effective date of the Agreement and prior to the beginning of the Fiscal Year for which rates and charges are being determined, which have been financed by the Authority from its own resources. Such annual amortization is to be computed based on the economic life for each capital item determined by the Authority in accordance with generally accepted accounting principles at an interest rate equal to the average interest rate on outstanding Authority Bonds for the preceding calendar year or at such other rate as to which the Signatory Airlines and the Authority may agree. In performing the calculations under this section captioned "Airport Requirement," interest only will be charged for land acquisition, and no amortization charges will be included on capital expenditures that have been financed with grants-in-aid or the proceeds of Authority Bonds or other securities, the debt service for which has been included

elsewhere in this section captioned “Airport Requirement”; (6) the estimated amount of any assessment, judgment, or charge (net of insurance proceeds) to become payable by the Authority relating directly to the Airport or its operation; and (7) any overpayment or underpayment estimated for operation of the Airport during the then-current Fiscal Year or any adjustment carried over from preceding Fiscal Years, to reflect any difference between actual versus estimated revenues or expenses.

*Landing Fee Requirement.* The Landing Fee requirement for the succeeding Fiscal Year will be calculated by subtracting the following Landing Fee credits from the Landing Fee requirement calculated pursuant to the section captioned “Airport Requirement”: (1) the revenue estimated to be derived by the Authority in the succeeding Fiscal Year from Airport concessions, rents, fees, and charges from other than Signatory Airlines, service fees (excluding Passenger Facility Charges and FAA grants-in-aid), and use fees; (2) the unrestricted investment income estimated to be earned by the Authority in the succeeding Fiscal Year from all funds and accounts except the Construction Fund and the Capital Improvement Fund; (3) the total of all Terminal Building rents, Departure Fees, Common Use Departure Fees, Arrival Fees, Immigration Inspection Fees, Loading Bridge Use Fees, and Apron Use Fees estimated to be paid by the Signatory Airlines during the succeeding Fiscal Year; and (4) a credit equal to the balance in the Other Available Moneys Coverage Subaccount.

*Landing Fee Rate.* The Landing Fee rate for the succeeding Fiscal Year will be calculated by dividing the Landing Fee requirement computed pursuant to the section captioned “Landing Fee Requirement” by the composite estimate of the total Maximum Gross Certificated Takeoff Weight of all Signatory Airline Aircraft Arrivals at the Airport for the succeeding Fiscal Year as projected by the Executive Manager based in part on the estimates provided by the Signatory Airlines pursuant to the section captioned “Estimate of Maximum Certificated Total Gross Takeoff Weight.”

#### Special Increases in Landing Fee Rate

If the total Landing Fee requirement during any Fiscal Year is reasonably expected to vary by more than 10% from the projected total Landing Fees requirement for such Fiscal Year, the Landing Fee rate may, if deemed necessary by the Executive Manager after consultation with the Signatory Airlines, which consultation may be by telephone, be revised (increased or decreased) resulting in an adjusted Landing Fee effective April 1 of such Fiscal Year for the balance of such Fiscal Year by an amount equal to the difference between projected and revised total Landing Fee requirement divided by the estimated Total Takeoff Weight of all Signatory Airlines during the balance of such Fiscal Year. Such revision would occur no more than once in any Fiscal Year.

#### Extraordinary Adjustments of Rents and Fees

Notwithstanding any other provisions of the Agreement, if, at any time during any Fiscal Year thereof, the revenues of the Airport are not sufficient to pay, when due, all items included in the reports by the Authority prepared pursuant to the Agreement, or to pay any reasonable obligation or expense or cost incidental or necessary to, or arising out of, the operation of the Airport, including, without limitation, emergency repairs or expenses, the reasonably necessary cost of defending, settling, or satisfying any litigation or threatened litigation that relates to the Airport, or any aspect thereof, or to compensate for the loss of revenue by reason of any labor dispute, the Authority may, upon notice to and consultation with the Signatory Airlines, adjust Terminal Building rents, Departure Fees, Common Use Departure Fees, Arrival Fees, Immigration Inspection Fees, Loading Bridge Use Fees, Apron Use Fees, and the Landing Fee rate to such amounts as are sufficient to assure the Authority that all such items, expenses, and costs will be paid in full, solely from revenues of the Airport, provided the Authority has used its commercially reasonable best efforts to reduce its operating costs and budget for the then current Fiscal Year before adjusting such rents and fees.

#### Calculation of Common Use Departure Fee

*Common Use Departure Fee Requirement.* Each year the Executive Manager will calculate the Common Use Departure Fee requirement for the succeeding Fiscal Year by multiplying the total square footage of the Common Use Ticket Counter Space (as set forth in the Agreement) by the average annual Terminal Building rental rate calculated in the section captioned “Calculation of Terminal Building Rental Rates.”

*Common Use Departure Fee.* The Common Use Departure Fee is calculated by dividing the Common Use Departure Fee requirement by the estimated number of total Signatory Airline Departing Passengers at the Airport for the succeeding Fiscal Year as projected by the Executive Manager that utilize the Common Use Ticket Counter Space. The Executive Manager will give consideration to estimates of numbers of passengers provided by the Signatory Airlines. The Common Use Departure Fee is payable monthly in accordance with the Agreement.

## **BOND INDENTURE AND FLOW OF FUNDS**

### Subordination to Bond Indenture

*Subordination.* The Agreement and all rights of the Airline thereunder are expressly subordinated and subject to the lien and provisions of any pledge, transfer, hypothecation, or assignment made at any time by the Authority pursuant to the terms, covenants, and conditions of present and future Bond Indentures, which are incorporated into the Agreement by reference.

*Conflicts.* In the event of conflicts between the Agreement and the Bond Indenture, the Bond Indenture will govern.

*No Change in Method of Calculation Rents and Fees.* The Authority will not enact any Bond Indenture or subsequently amend a Bond Indenture so as to require a change in the method of calculation of rents and fees payable under the Agreement or so as to materially adversely affect the rights of the Airline under the Agreement.

### Flow of Funds

*Airport Revenue and PFC Proceeds.* Subject to the terms and provisions of the Bond Indenture, it is mutually understood and agreed that, as long as any Bonds secured by the Bond Indenture are outstanding, all Airport Revenue and PFC proceeds will be deposited, maintained, and paid as set forth in the Bond Indenture.

## **DAMAGE OR DESTRUCTION**

Should the premises used by the Airline under the Agreement or portions thereof or buildings or structures of which portions of such premises may be a part be damaged by fire or other casualty, and if the damage is repairable within a reasonable time from the date of the occurrence, the premises will be repaired with due diligence by the Authority, and in the meantime the rental allocable to the particular building, rooms or other portion of the premises rendered untenable, for the period from the occurrence of the damage to the completion of the repairs, will be abated in the same proportion that the untenable portion thereof bears to the whole thereof, or, if the damage or destruction has rendered the entire building untenable, said rental will be abated entirely.

Should the premises used by the Airline under the Agreement or portion thereof or buildings or structures of which portions of such premises may be a part be completely destroyed by fire or other casualty, or should they be damaged to such an extent that the damage cannot, in the opinion of the Authority, be repaired within a reasonable time after the occurrence, the Authority or the Airline will have the option to terminate the Agreement to the extent that it will apply to the particular building, rooms or other portions of the premises so rendered untenable, on 60 days written notice effective as of any date not more than 90 days after the occurrence. In the event that this paragraph becomes applicable, the parties will advise each other within 30 days after the happening of any such damage whether they have elected to continue the Agreement in effect as to the portions of the premises damaged or destroyed, or to terminate it. If the parties elect to continue the Agreement, the Authority will commence and prosecute with due diligence any work necessary to restore or repair the premises and will exert its best efforts to provide the Airline with temporary substitute space while the repairs are being completed. If either party fails to notify the other party of its election within said 30 day period, the Authority will be deemed to have elected to terminate the Agreement as to the portions of the premises damaged or destroyed, and the Agreement will automatically terminate as to such portions 90 days after the occurrence of the damage. For the period from the occurrence of any damage to the premises to the date of completion of the repairs to the premises (or to the date of termination of the Agreement as to such portions of the premises if the Authority does not restore them), the rental allocable to the particular building, rooms or other portion of the premises involved will be abated in the same

proportion as the untenable portion thereof bears to the whole thereof, or, if the damage has rendered the entire building untenable, said rental will be abated entirely, and upon termination of the Agreement as to such damaged or destroyed premises, the Airline will have no further obligation to pay the rental allocable thereto. If temporary substitute space is furnished by the Authority, a reasonable rental may be charged therefor.

## **ASSIGNMENT OF SPACE, MERGER, AND BANKRUPTCY**

### Security Deposit

If the Airline is delinquent in the payment of its rents, landing fees and other fees due in accordance with the terms and conditions of the Agreement, and has failed to cure such delinquency as stipulated in the Agreement, for three (3) months out of any Fiscal Year, the Executive Manager may require that within 30 days, the Airline will remit to the Authority a security deposit which amount will be based upon (a) the Airline's estimated Landing Fees for two (2) months (as determined on the basis of the Airline's published flight schedule as of that date times the actual Landing Fee rate effective as of that date), (b) the Airline's estimated Exclusive and Joint Airline Use Space rents for two (2) months (as determined on the basis of the Airline's actual leased space as of that date times the actual rental rates effective as of that date, using activity data for the most recent calendar month to allocate Joint Airline Use Space costs), (c) the Airline's estimated Arrival Fee for two (2) months (as determined on the basis of the Airline's published flight schedule as of that date times the actual Arrival Fee effective as of that date), (d) the Airline's estimated Loading Bridge Use Fees for two (2) months (as determined on the basis of the Airline's published flight schedule as of that date times the actual Loading Bridge Use Fee effective as of that date), and (e) the Airline's estimated Apron Use Fees for two (2) months (as determined on the basis of the Airline's published flight schedule as of that date times the actual Apron Use Fee effective as of that date). The security deposit may be adjusted by the Authority as the Airline's flight activity, passenger activity, and space rental commitment increases or decreases.

If the Airline is a new entrant to the Airport, or if the Airline was previously a non-signatory to the Agreement, then the Executive Manager will require the Airline to remit to the Authority a security deposit equivalent to two (2) months of the rents, estimated landing fees and other fees set out above. This security deposit may be returned at such time that the Executive Manager determines that the Airline has demonstrated fiscal responsibility.

Such deposit will be in the form of an irrevocable letter of credit, or other security satisfactory to the Authority, in a form approved by the Executive Manager. If the Authority accepts cash deposits, the interest on cash deposits will be retained by the Authority and used in the calculation of rents and fees.

Document(s) evidencing this deposit must provide that the same will be periodically renewed until the beginning of the month of October following termination or cancellation of the Agreement as is provided in the Agreement.

If payments required by the Airline under the terms of the Agreement are not made in accordance with the payment provisions set forth in the Agreement, the Authority will have the right to forfeit, take, and use so much of such security deposit as may be necessary to make such payment in full and to exercise any other legal remedies to which it may be entitled. In this event, the Airline will, within 30 days, remit to the Authority such amount as is required to restore the Airline's security deposit to the required balance.

## **DEFAULT**

### Default

If the Airline fails to (1) pay rent or another payment past due under the Agreement within 10 days after receipt of written notice of the due date; (2) commence immediately to keep and perform any of its other covenants and agreements within 20 days after receipt of written notice; or (3) continue to complete any of its covenants and agreements after performance is commenced, or after the filing of any petition, proceedings, or action by, for, or

against the Airline under any insolvency, bankruptcy, or reorganization act of law, then after notice and at the election of the Authority:

*Authority May Reenter.* After terminating the Agreement, the Authority may reenter the space and alter, modify, improve and relet all or any part of it to others, for the account of the Airline, including costs of renovation and 15% administrative fee to be paid to the Authority for all sublease rents received, and the Airline will promptly reimburse the Authority for any deficiency in rents or other payments received under such subletting, as compared with the Airline's obligations under the Agreement.

*Authority May Terminate.* At any time before or after a reentry and reletting as provided in the section captioned "– Authority May Renter" herein, the Authority may terminate the Airline's rights under the Agreement, and the Authority may reenter and take possession of all space, and terminate all rights and privileges granted to the Airline under the Agreement, without any restriction on recovery by the Authority for past due rents and other obligations of the Airline.

*Remedies on Default.* In the event of default by the Airline which is not cured in accordance with this section captioned "DEFAULT" herein, the Authority is entitled to the following: (i) to recover reasonable attorneys' fees, consultant fees, or other expenses associated with the default together with any court cost and the cost of removing and storing any property of the Airline, and (ii) to place a lien on all nonflight, property and equipment of the Airline for the amount owed to the extent that such lien does not violate any other lawful agreement covering such nonflight property and equipment that the Airline is party to, and (iii) in the event the Authority must remove and store property of the Airline, the Airline agrees to reimburse the Authority reasonable storage fees plus 15% for administration costs, and (iv) in the event the Authority must store the Airline's property and the property remains unclaimed, the Authority will post notice for 30 days, during such notice period, the Authority will publish notice three times in the local daily newspaper. At the end of the notice period, the Authority will sell such property by "private power of sale."

#### Additional Rights of Authority

In the event of a breach or default or threat of breach or default by the Airline of any of the covenants or provisions of the Agreement, the Authority will have the right to seek an injunction and the right to invoke any remedy allowed by law or in equity as if re-entry, summary proceeding and other remedies were not provided for in the Agreement. Mention in the Agreement of any particular remedies will not preclude the Authority from any other remedy, in law or in equity.

The Authority will have all additional rights and remedies as may be provided to landlords by law.

#### **COVENANT NOT TO GRANT MORE FAVORABLE TERMS**

The Authority covenants in the Agreement that it will not enter into any lease, contract, or any other agreement with any other Air Transportation company containing materially more favorable terms than the Agreement, or to grant to any tenant engaged in Air Transportation, rights or privileges with respect to the Airport that are not accorded the Airline under the Agreement, unless the same rights, terms, and privileges are concurrently made available to the Airline. The covenant will not extend to any carrier only operating aircraft less than 50,000 pounds Maximum Certificated Gross Take-Off weight.

#### **TERMINATION**

##### Events Permitting Termination of the Agreement by the Airline

The Airline may terminate the Agreement and terminate all of its future obligations under the Agreement at any time that the Airline is not in default in its payments or other obligations to the Authority under the Agreement, by giving the Executive Manager 60 days advance written notice if (1) the Authority is in default of any material and substantive portion of the Agreement, or (2) any act occurs that deprives the Airline permanently of the rights,

power, and privileges necessary for the proper conduct and operation of its Air Transportation business at the Airport.

#### Events Permitting Termination of the Agreement by the Authority

In addition to other events described in the Agreement permitting the Authority to terminate the Agreement, this section identifies other material events permitting termination of the Agreement by the Authority:

*Right to Terminate.* The Authority, at its option, may declare the Agreement terminated on the happening of any one or more of the following events, and may exercise all rights of entry and re-entry on the Airline's Exclusive Use Space if: (1) the rents and fees, or other money payments that the Airline agrees to pay in the Agreement, or any part of the Agreement, will be unpaid on the date same becomes due, in accordance with the Agreement; (2) any act occurs that deprives the Airline permanently of the rights, power, and privileges necessary for the proper conduct and operation of its Air Transportation business; (3) the Airline (a) ceases the conduct of scheduled air service at the Airport for a period of 60 consecutive days in accordance with the Agreement or (b) fails to operate scheduled passenger service departures each week from the Airport, for a period of 90 days or more (except by reason of strikes or causes beyond the control of the Airline); (4) the Airline abandons and fails to use its Exclusive Use Space for a period of 30 consecutive days, except when such abandonment and cessation are due to fire, earthquake, labor dispute, strike, governmental action, default of the Authority, or other cause beyond the Airline's control; (5) the Airline uses or permits the use of its Exclusive Use Space at any time for any purpose for which the use thereof at that time is not authorized by the Agreement, or by a subsequent written agreement between the parties, or permits the use thereof in violation of any law, rule, or regulation to which the Airline has agreed in the Agreement to conform; and (6) the Airline is in violation of any provision of the Agreement and has not begun remedy within 30 days' notice thereof of such violation.

*Notice.* Termination by the Authority will not be effective unless and until at least 30 days have elapsed after written notice to the Airline specifying the date upon which such termination will take effect and the cause for which it is being terminated has not been cured or if the Airline commences to cure the cause of such termination within said 30 day period, so long as the Airline continues diligently and in good faith to cure such cause.

#### **MISCELLANEOUS**

##### Price Level Adjustments

The fixed dollar amounts contained in the Agreement may be adjusted each year pursuant to the Bond Indenture or otherwise in proportion to the changes in the Implicit Price Deflator index published by the U.S. Department of Labor, Bureau of Labor Statistics, using as a base the latest published index available as of January 1, 2004.

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**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS FOR THE  
FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2023**

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*Financial Statements, Required Supplementary  
Information, and Supplementary and Other Information*

**Antonio B. Won Pat International Airport  
Authority, Guam**

(A Component Unit of the Government of Guam)

*Years Ended September 30, 2023 and 2022  
with Report of Independent Auditors*



Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information,  
and Supplementary and Other Information

Years Ended September 30, 2023 and 2022

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Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information,  
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## Report of Independent Auditors

The Board of Directors  
Antonio B. Won Pat International Airport Authority, Guam

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Antonio B. Won Pat International Airport Authority, Guam (the Authority), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority at September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 25, the Schedule of the Authority's Proportionate Share of the Net Pension Liability on pages on pages 77, 79 and 81, the Schedule of the Authority's Contributions on pages 78, 80, 82 and 84 and the Schedule of the Authority's Proportionate Share of Collective Total Other Postemployment Benefit Liability on page 83 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information, such as the Facilities and Systems Usage Charges, Concession Fees, Rental Income, Contractual Services, Personnel Services, Materials and Supplies and Debt Service Computation, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the Insurance Coverage and the Employee Data but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*Ernst + Young LLP*

June 10, 2024

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

Years ended September 30, 2023 and 2022

The following Management's Discussion and Analysis of the activities and financial performance of the Antonio B. Won Pat International Airport Authority, Guam (the "Authority") provides the reader with an introduction and overview to the financial statements for the fiscal year ("FY") ended September 30, 2023. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto which follow this section.

The Authority was created by Public Law 13-57 (as amended) as a component unit of the Government of Guam to own and operate the facilities of the Guam International Airport Terminal (the "Airport"). The Authority is a self-sustaining autonomous government agency and operates and maintains the Airport. The Airport provides facilities for domestic overseas flights and international flights to destinations in Micronesia, Asia, and Oceania. It is authorized to impose and collect rates and charges for the Airport's services and properties to generate revenues to fund operating expenses, debt service and reserves.

**A. Mission Statement**

The Authority strives to ensure the safety and security of the traveling public, maintain superior and reliable level of airport services, and support the development of air services and facilities which are integral to the island's economic growth. The Authority's vision is to advance Guam further as the first-class premier air transportation hub of the region.

**B. Using the Financial Statements**

The Authority utilizes the flow of economic measurement focus. Financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Statement of Revenues, Expenses and Changes in Net Position replaced the Statement of Revenues, Expenses and Changes in Net Assets. Revenues are now categorized as either operating or non-operating based upon definitions provided by GASB 34. Significant recurring sources of the Authority's revenues, including federal grants are reported as non-operating revenues.

**C. Authority Activities and Highlights (Ready to Fly! Refocused and Rising in FY 2023)**

Rising from the vestiges of the COVID-19 pandemic in FY 2022, the Authority faced adversity again in the wake of Typhoon Mawar, which made landfall in Guam in May 2023. Despite the unprecedented challenges posed by the confluence of a global pandemic and the aftermath of a Category 5 storm, the Authority remained steadfast in refocusing its efforts to position itself as a beacon of recovery for the aviation industry in the region with a renewed growth and resurgence as it looked to rise to new heights in FY 2023.

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Management's Discussion and Analysis, continued

**C. Authority Activities and Highlights (Ready to Fly! Refocused and Rising in FY 2023), continued**

Over the past two years, the travel industry witnessed a decline in passenger activity due to the COVID-19 pandemic, particularly in Asia where recovery was slower compared to other origin/destination markets. This delay was mainly attributed to stringent travel restrictions imposed by state governments. As these restrictions gradually relaxed, there was a positive upturn in visitor arrivals during FY 2023, signaling a potential recovery. However, the arrival of Typhoon Mawar in May 2023 caused a temporary setback due to the impact of this Category 5 storm. Despite this, the Authority remained steadfast in its efforts, showcasing resilience, expertise, and resourcefulness in swiftly responding to and mitigating the impacts of this natural disaster. This proactive approach enabled the immediate reopening of Guam's sole commercial airport, a critical lifeline for both Guam and the region's island economies.

In FY 2023, the total number of passenger movements reached 1,629,183, more than twice the activity in FY 2022 of 745,717 movements. Enplanements, constituting 882,664 movements, represented 54.2% of the overall traffic, while arriving passengers comprised 45.8%. According to FY 2023 statistics published by the Guam Visitor's Bureau, 60% of arriving travelers in FY 2023 originated from South Korea, making it a pivotal market for Guam. Additionally, 26% of arrivals came from Japan, China, Taiwan, and the Philippines. Domestic markets, including Hawaii and the Commonwealth of the Northern Marianas Islands (CNMI), accounted for 14% of the total arrivals. Authority managed 27,602 aircraft movements versus 18,756 movements the prior year. Airline partners transported over 10,536 metric tons of cargo and 12,969 metric tons of mail in FY 2023.

As a vital facility for the island's tourism-dependent economy, the Airport functions as a central hub for Micronesia, facilitating connectivity from the region to the global stage. Prior to the onset of the COVID-19 pandemic, Guam's annual airport activity averaged over 3 million passenger movements, 20,000 metric tons of cargo, and more than 50,000 flight movements to 24 destinations, including Hawaii, Japan, South Korea, China, Taiwan, the Philippines, and Oceania. Positioned within a 3 to 5-hour flight range from major cities in Asia and the Oceanic region, Guam proximity makes it an ideal vacation destination for tourists from these markets.

The following airlines served the Authority with scheduled passenger service for FY 2023: United Airlines, Japan Airlines, Korean Air, Philippine Airlines, Jin Air, Jeju Air, and T'way Air.

Other airlines include all-cargo operators Asia Pacific Airlines, Federal Express, UPS and Micronesian Air Cargo Services. Star Marianas provided services to the CNMI from Guam utilizing aircraft weighing 12,500 pounds or lower on a scheduled and charter basis for passenger/cargo services.

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Management’s Discussion and Analysis, continued

**C. Authority Activities and Highlights (Ready to Fly! Refocused and Rising in FY 2023), continued**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<b>2023 % Increase (Decrease) from 2022</b>
Major revenue sources:				
Landing fees	\$ 8,375,059	\$ 2,797,423	\$ 799,651	199.4%
Terminal lease	11,009,082	9,402,140	10,546,710	17.1%
Concessions and parking	3,214,503	12,737,330	5,509,942	-74.8%
Total	<u>\$ 22,598,644</u>	<u>\$ 24,936,893</u>	<u>\$ 16,856,303</u>	-9.4%
Passenger (enplanements) activity:				
Signatory airlines	859,013	408,439	124,856	110.3%
Non signatory and other airlines	23,651	9,795	10,710	141.5%
Total enplanements	<u>882,664</u>	<u>418,234</u>	<u>135,566</u>	111.0%
Aircraft operations	27,602	18,756	12,408	47.2%
Aircraft landed weights (000,000)	<u>2,317,944</u>	<u>1,699,584</u>	<u>1,582,331</u>	36.4%
O & D passengers	1,481,948	656,676	189,733	125.7%
Transfer passengers	147,235	89,041	33,870	65.4%
Total passengers	<u>1,629,183</u>	<u>745,717</u>	<u>223,603</u>	118.5%

Despite the significant interruption caused by Typhoon Mawar, the Authority remained unwavering in its commitment to readying Guam for a resurgence in air travel. Amid the challenges posed by the typhoon, the Authority achieved success in several capital improvement projects and other initiatives aimed at enhancing safety and security for both the community and travelers.

Emphasizing federally funded initiatives and those critical for continuous 24/7 airport operations and compliance with Federal Aviation Regulations (“FAR”) Part 139, the Authority directed its efforts towards expanding capacity, mitigating airport noise, and bolstering air service to current or emerging markets. Notable projects undertaken during this period included:

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Management's Discussion and Analysis, continued

**C. Authority Activities and Highlights (Ready to Fly! Refocused and Rising in FY 2023),  
continued**

***Capital Improvement Program***

*Aircraft Rescue and Firefighting Facility.* In October 2023, the Authority took occupancy of its new 38,500 square feet, state-of-the-art Aircraft Rescue Fire Fighting station that is expected to enhance and optimize the response time for ARFF units to any emergencies on or around the Airport. The total project cost approximately \$28.9 million and was 90% funded through the Federal Aviation Administration ("FAA").

*Runway 6L/24R Rehabilitation.* This project consists of two phases. The first phase includes the rehabilitation and reconstruction of over 1,550 linear feet of runway (Phase 1a) and the rehabilitation and reconstruction of an additional 1,450 linear feet of runway (Phase 1b). Phase 1a and Phase 1b are complete. The second phase (Phase 2), included the rehabilitation of over 4,000 linear feet of runway previously constructed using PCC pavement. The project was completed in March 2023 with a total project cost of approximately \$28.2 million, which was 90% funded by the FAA.

*Master Plan Update.* In November 2021, the Authority kicked off the update to its 2012 Master Plan. Guam's only commercial airport is part of a dynamic and turbulent aviation industry that has seen several changes over the past ten years. The Authority's updated master plan will reflect current conditions and forecast airport activity accordingly. In addition, it will consider new environmental and other regulatory factors and then plan for future facilities and compatible land uses to support projected aeronautical and non-aeronautical needs for long-term financial viability and sustainability. Key components include renovations to optimize ticketing lobby configurations, an expanded security queuing area, upgrades to gates and hold rooms, and enhanced airport concessions. Additionally, the Airport Layout Plan ("ALP") will be updated and include the Authority's Capital Improvement Program to allow for strategic financial planning for the continued development of the island's only commercial airport. This project is 90% funded with FAA discretionary funds.

*Projects in Planning Process*

These are critical projects that are at least 90% federally funded or essential to the mission of the Authority:

*Update the Part 150 Noise Study.* The Part 150 Noise Compatibility Study is to develop updated noise exposure maps for land use planning and noise mitigation in and around Guam's airport, and to provide updates to its Noise Compatibility Program. The approximate cost of the project is \$2.2 million. 90% is funded through the FAA's Airport Noise set-aside funding program.

Antonio B. Won Pat International Airport Authority, Guam  
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Management's Discussion and Analysis, continued

**C. Authority Activities and Highlights (Ready to Fly! Refocused and Rising in FY 2023), continued**

Cargo Apron/Fuel System Extension. This project entails the design and construction for a cargo apron and connecting taxiway, and the extension of the Authority's into-plane fuel system to provide service for a minimum of two all-cargo freighters at the Integrated Air Cargo Facility located a half mile west of the air terminal. The Authority anticipates this project will be 90% funded with FAA discretionary funds.

Apron and Taxiway Rehabilitation. This project includes rehabilitating approximately 1.5 million square feet (150,000 square yards) of parking/apron areas and Kilo taxiway in front of the terminal and airfield. The project will enable the Authority to maintain its capacity and to increase the safety and efficiency of aircraft and ground support equipment operations, personnel activities, passenger movements and airport servicing. The Authority anticipates this project to be 90% funded through FAA supplemental funding and funds allocated under the 2022 Bipartisan Infrastructure Law ("BIL").

Replacement of Terminal Roofing System. Request for Proposals ("RFP") for the design and installation of a new roofing system for the Authority's main terminal was issued in FY 2022. The Authority intends to replace and improve the terminal area roof membrane that is not connected to the 3<sup>rd</sup> Floor International Arrivals Corridor for more energy efficiencies and cost savings, while sealing leakages and repairing other damage to its existing roofing infrastructure.

Zero Emissions Vehicles ("ZEV"). In line with the FAA's Modernization and Reform Act of 2012, the Authority is looking to improve air quality through reduced emissions at Guam's airport through the acquisition and operation of ZEVs. The study will identify the Authority's baseline conditions and determine the air quality benefits and reduction of Nitrogen Oxides and Volatile Organic Compounds through ZEVs. The study would also identify the Authority's ZEV needs, plan for the acquisition, and develop the architecture and engineering for the construction or modification of infrastructure to facilitate the delivery of energy and services necessary for these vehicles.

IT Infrastructure & Financial Management System. The Authority issued an RFP to assess the various infrastructure, systems, and equipment, operational processes, and financial management and accounting processes in order to synergize, maintain, and manage these systems through a fully integrated management system.

Underground Utility Infrastructure and Power Generation Relocation. The Authority is preparing to undertake a scoping project to identify risks and vulnerabilities the current overhead power distribution infrastructure is exposed to in the event of a natural disaster. The project scoping will seek cost-effective designs to increase storm resiliency and public safety, reduce injuries and loss of life, and reduce damage and destruction to property, critical services, facilities, and infrastructure.

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Management's Discussion and Analysis, continued

**C. Authority Activities and Highlights (Ready to Fly! Refocused and Rising in FY 2023), continued**

*Airport Microgrid Feasibility Study.* This project will evaluate the practicality, benefits, and potential challenges associated with implementing a microgrid system that will be a self-contained, locally controlled energy system to enhance energy resilience, reduce costs, and minimize the Authority's environmental impact. This study will provide a comprehensive analysis of the feasibility of integrating a microgrid for the Authority.

*Airport Energy Efficiency Assessment.* The Authority is gearing up to investigate energy-saving methods and tactics in order to formulate a comprehensive sustainable strategy. This strategy is designed to offer guidance rather than limit decision-making, especially concerning the primary terminal structure. Moreover, it will empower the Authority to secure capital and navigate growth while safeguarding the interests of future generations. The study will encompass a thorough energy efficiency assessment, incorporating energy audits and recommending optimal practices to diminish the carbon footprint of the island's sole commercial airport.

*Fire Alarm/Fire Suppression Infrastructure Update.* This project is meant to update the Authority's fire alarm/fire suppression infrastructure to integrate all facilities under the Authority's jurisdiction into one centralized command and control system.

*Residential Sound Solution Program ("RSSP").* This project is an ongoing FAA program that allows the Authority to provide noise mitigation of residences located within the 65 decibel (dB) range. The program is subject to federal funding limitations. The Authority has completed the preliminary screening of seventy homes that are eligible for this program. They will proceed with this program once the Noise Compatibility Program, which is a key component of the RSSP, is updated.

***Sustainability Initiatives***

The Authority remained committed to developing a sustainable strategy that prioritizes reducing our carbon footprint while concurrently optimizing and expanding capacity in a safe and health-conscious airport environment. This commitment extends across various facets, from planning capital improvement projects (encompassing financing, design, construction, and operations) to refining processes for an enhanced passenger experience. Additionally, the Authority is devoted to workforce development, community engagement, and initiatives aimed at preserving resources and ensuring long-term sustainability. By establishing a transparent and sustainable strategy that guides decision-making without imposing limitations, the Authority positions itself to access capital and foster growth without compromising the well-being of future generations. This holistic approach enables the Authority to comprehend and address the needs of stakeholders from social, environmental, and economic perspectives.

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Management's Discussion and Analysis, continued

**C. Authority Activities and Highlights (Ready to Fly! Refocused and Rising in FY 2023),  
continued**

*Sustainability Initiatives. continued*

Furthermore, in alignment with the collective efforts of the entire aviation sector, including the US government, the Airports Council International (“ACI”), the International Air Transport Association (“IATA”), and the International Civil Aviation Organization (“ICAO”), toward achieving a net-zero carbon emissions target by 2050, the focus will be on airlines upgrading their fleets to utilize newer and more environmentally friendly equipment. This involves adopting more efficient flight routes, exploring sustainable alternatives for aviation fuel, and operating from airports that prioritize environmental responsibility. These measures are part of a broader initiative aimed at fostering a resilient and integrated airspace system.

Key initiatives to move the Authority closer to attaining these goals include: 1) the Airport Energy Efficiency Assessment; 2) the acquisition of the ZEV vehicles under the FAA’s pilot program; 3) the implementation of a solar energy plan through a public/private partnership; and, 4) the creation of a robust utility infrastructure through the relocation of its power distribution and telecommunications infrastructure, to minimize service interruptions due to extraordinary or catastrophic events.

**Other Initiatives and Operational Activities**

*Cargo Transshipment*

The Authority is studying the creation of a bonded warehouse facility, an agricultural inspection and fumigation facility, and the establishment of a transshipment hub. This initiative includes the implementation of a Transportation Security Administration (“TSA”)-certified cargo screening program, achieved through collaborative efforts with the Governor’s office, key government entities such as the Guam Economic Development Authority and the Port Authority of Guam, and various industry stakeholders. Simultaneously, we are in the process of procuring design services for the expansion of our air cargo apron and fuel system. This expansion aims to facilitate direct access for a minimum of two all-cargo freighters to the Integrated Air Cargo Facility. Furthermore, our ongoing master plan process is uncovering additional opportunities to enhance and develop the Integrated Air Cargo Facility.

*Air Service Development*

The Authority continued to pursue its route development initiatives to meet with targeted airlines to push the incentives and encourage implementation or resumption of services to Guam. Other initiatives included seeking access to Haneda Airport in Tokyo, Japan; and the pursuit of expanded air services to provide more operational flexibility for foreign airline partners. Daily flights to Haneda commenced on May 1, 2024.

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Management's Discussion and Analysis, continued

**C. Authority Activities and Highlights (Ready to Fly! Refocused and Rising in FY 2023),  
continued**

*Intergovernmental Coordination (Federal and Local)*

FY 2023 saw the Authority's collaboration with various federal and local governmental entities, reinforcing its role as a pivotal contributor to Guam's island economy and the broader Micronesian region. This engagement further solidified the Authority's significance within the broader context of the U.S. Indo-Pacific strategy.

*Federal Coordination*

National Defense. Over the years, the Authority has actively supported initiatives of the U.S. Department of Defense, serving as a vital link to facilitate the military's use of commercial aviation, and FY 2023 was no exception. Guam's airport operates as an alternative/support facility for military activities and training exercises, ready to respond 24/7 as needed. In FY 2023, the Authority once again played a supportive role in Cope North 2023, which is an annual field training exercise involving a multilateral coalition of air forces from the U.S., Japan, and Australia. The focus was on trilateral airborne integration for large-force employment, agile combat employment, humanitarian assistance, disaster relief training, and other military operations.

Emergency Management. The Authority collaborates closely with the U.S. Federal Emergency Management Agency ("FEMA"). Guam's airport plays a crucial role as a strategic location for prepositioning supplies and equipment, supporting FEMA in consolidating civilian requirements with military missions. The significance of the Authority's role in disaster recovery became evident during Typhoon Mawar when the Category 5 typhoon devastated the island on May 24<sup>th</sup>, causing severe flooding and water damage to airport facilities. Remarkably, the airport reopened just 72 hours later. Despite the immense challenge of removing tons of water throughout the facility, the airport resumed Humanitarian and Essential Cargo flights on May 27, 2023, and normal operational flights on May 29, 2023.

Homeland Security. Through a collaborative initiative with stakeholders, biometric equipment was installed at passenger gates and has been actively employed by airlines to capture the biometric exit data of all departing passengers since October 1, 2023. Hosted by the Airline Common Use Terminal Equipment ("CUTE") Club, the biometric exit system enhances identity verification during passenger processing. The Authority's activation of this biometric exit system marks it as the first U.S. airport in the region to implement technology that aligns with the requirements of the U.S. Customs and Border Protection ("USCBP").

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Management's Discussion and Analysis, continued

**C. Authority Activities and Highlights (Ready to Fly! Refocused and Rising in FY 2023),  
continued**

***Local Coordination***

*Department of Agriculture.* The Authority works in collaboration with the U.S. Department of Agriculture to enhance technology and implement barriers at the airport, aiming to control the access of invasive species to the island's primary ports of entry.

*Department of Public Works.* The Authority continues to work with the Department of Public Works ("DPW") to advance roadway improvements to property adjacent to the airport, aimed at augmenting capacity and improving traffic circulation. These upgrades encompass Phase II of the Tiyan Parkway, a 1.5-mile roadway system catering to over 15,000 daily motorists, and the extension of Route 10A along the airport's frontage. This 2-mile segment connects Route 1 Marine Corps Drive and Route 16 Army Drive. Additionally, the Authority is endorsing the expansion of Mariner Avenue on the south side of the Airport property, facilitating convenient access for tenants and business partners in South Tiyan and alleviating congestion at the tri-intersection of Routes 8, 10, and 16.

***Regulatory/Compliance***

*Airport Emergency Plan.* In October 2022, the Authority conducted its annual examination of the Airport Emergency Plan ("AEP"), as mandated by FAR Part 139.325(g). This regulation necessitates the Authority to collaborate with inter/intra agencies, including law enforcement, firefighting, medical, Air Traffic Control, as well as principal tenants and stakeholders. The review occurs every twelve calendar months to guarantee that each party comprehensively understands, acknowledges, and updates their respective roles and responsibilities.

*FAR Part 139 Certification Inspection.* The Authority successfully concluded its Annual FAR Part 139 Certification in April 2023. During this process, guest observers from regional Civil Aviation Authorities and island airports, including Pohnpei, Kosrae, Chuuk, and the Marshall Islands, shadowed FAA inspectors participating in the comprehensive review of regulatory requirements at GUM. The FAR Part 139 Inspection is essential to guarantee compliance with standards for airport certification, safety, and operations, playing a crucial role in upholding the safety and operational integrity of airports serving scheduled air carrier operations. These inspections are instrumental in ensuring that airports meet established standards, thereby providing a secure and safe environment for air travel.

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Management's Discussion and Analysis, continued

**C. Authority Activities and Highlights (Ready to Fly! Refocused and Rising in FY 2023),  
continued**

***Regulatory/Compliance, continued***

FAA Airport Nondiscrimination/Title VI Compliance Review. In FY 2023, the Authority was selected and successfully completed a review of compliance with Title VI of the Civil Rights Act, as well as the implementation of regulations under 49 CFR Part 21, focusing on Nondiscrimination in Federally Assisted Programs of the Department of Transportation for the effectuation of Title VI. Information was submitted to the FAA Office of Civil Rights, and the formal review of compliance and implementation occurred on April 25 and 26, 2023. Title VI training was conducted by the FAA Office of Civil Rights for a mix of airport employees from all divisions, and corrective actions for all findings were completed by May 2023.

***Other Notable Accomplishments***

2023 Aerodrome Certification Workshop. The Authority successfully hosted the 2023 Aerodrome Certification Workshop at the Westin Hotel in Guam from April 18 to 21. Themed "Recovery, Resilience, and Revitalization," the event drew distinguished participants, including representatives from the FAA, ACI, ICAO, FEMA, U.S. Department of Agriculture ("USDA"), Department of Homeland Security ("DHS"), Joint Region Marianas ("JRM"), and aviation transportation ministers and airport managers from the CNMI, Republic of Palau, Federated States of Micronesia including Pohnpei, Yap, Chuuk, Kosrae, as well as the Republic of the Marshall Islands, and American Samoa. Over four days of interaction and networking, the workshop centered on sharing best practices, discussing regulatory requirements, and addressing recovery challenges. Resuming after a temporary suspension due to the COVID-19 global pandemic, this annual workshop, last held in 2019 in the Republic of Palau, successfully facilitated valuable connections among regional aviation stakeholders.

Safety and Security: Narcotics and Tracking K-9 Teams. With a renewed focus on the enhanced safety and security of passengers, the Authority's Airport Police Division augmented its services by reintroducing two new K-9 units specialized in narcotics detection and tracking. These dual-purpose K-9s, belonging to the Belgian Malinois (Shepherd) breed, mark the revival of narcotics K-9 units after a 20-year hiatus, underlining the commitment to strengthening security measures at the airport.

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Management's Discussion and Analysis, continued

**D. Financial Operation Highlights**

***Financial Position Summary***

A condensed summary of the Authority's Statements of Net Position at September 30, 2023, 2022, and 2021 is shown below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<b>2023 % Increase (Decrease) from 2022</b>
<b>Assets</b>				
Current assets:				
Unrestricted current assets	\$ 22,659,275	\$ 26,580,172	\$ 13,241,990	-14.8%
Restricted current assets	1,872,206	1,308,162	300,544	43.1%
Non-current assets:				
Unrestricted assets	20,810,870	29,905,885	40,430,483	-30.4%
Restricted assets	23,527,995	21,351,555	25,983,877	10.2%
Capital assets	481,081,294	501,203,823	489,655,295	-4.0%
Avigation easements	2,740,632	4,016,811	5,292,992	-31.8%
Leases	12,740,962	7,836,887	248,400	62.6%
Deferred outflow - pension	15,446,044	4,850,322	7,135,101	218.5%
Deferred outflow - other postemployment benefits	9,624,528	15,098,596	18,247,009	-36.3%
Deferred differences on refunding of bonds	11,899,215	13,240,344	14,581,473	-10.1%
Total assets and deferred outflow of resources	<u>\$ 602,403,021</u>	<u>\$ 625,392,557</u>	<u>\$ 615,117,164</u>	-3.7%
<b>Liabilities</b>				
Current liabilities:				
Payable from unrestricted assets	\$ 25,042,718	\$ 30,287,702	\$ 27,104,064	-17.3%
Payable from restricted assets	1,532,095	967,035	300,915	58.4%
Long term liabilities	281,660,039	272,943,019	276,275,058	3.2%
Total liabilities	<u>308,234,852</u>	<u>304,197,756</u>	<u>303,680,037</u>	1.3%
Deferred inflow of resources:				
Deferred differences on refunding of bonds	425,243	12,568	36,497	3283.5%
Deferred inflow - lease revenue	18,685,414	14,441,965	---	29.4%
Deferred inflow - pension	1,058,051	3,831,131	704,214	-72.4%
Deferred inflow - other postemployment benefits	24,317,353	21,335,001	28,800,329	14.0%
Total deferred inflow of resources	<u>44,486,061</u>	<u>39,620,665</u>	<u>29,541,040</u>	12.3%
<b>Net Position</b>				
Invested in capital assets - net of related debt	300,268,671	325,089,725	314,733,483	-7.6%
Restricted	23,868,106	21,692,681	26,088,212	10.0%
Unrestricted	(74,454,669)	(65,208,270)	(58,925,608)	14.2%
Total net position	<u>249,682,108</u>	<u>281,574,136</u>	<u>281,896,087</u>	-11.3%
Total liabilities and net position	<u>\$ 602,403,021</u>	<u>\$ 625,392,557</u>	<u>\$ 615,117,164</u>	-3.7%

**Antonio B. Won Pat International Airport Authority, Guam**  
(A Component Unit of the Government of Guam)

**Management's Discussion and Analysis, continued**

**D. Financial Operation Highlights, continued**

***Total Revenues***

In FY 2023, the Authority garnered \$61 million in total revenues. The majority, 65.9%, came from operating revenues, amounting to \$40.2 million. Non-operating revenues contributed 34.1%, generating an additional \$20.8 million.

	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2023</b>
	<b>2023</b>	<b>% of Total</b>	<b>2022</b>	<b>% of Total</b>	<b>2021</b>	<b>% of Total</b>	<b>% Increase (Decrease) from 2022</b>
Landing fees	\$ 8,375,059	13.7%	\$ 2,797,423	3.3%	\$ 799,651	1.2%	199.4%
Departure fees	4,995,719	8.2%	2,304,411	2.7%	791,830	1.2%	116.8%
Arrival fees	3,440,035	5.6%	1,432,759	1.7%	475,611	0.7%	140.1%
Passenger loading bridge usage charge	3,253,855	5.3%	1,402,017	1.7%	1,309,725	1.9%	132.1%
Immigration fees	1,346,089	2.2%	455,453	0.5%	87,865	0.1%	195.5%
Public apron fees	1,187,753	1.9%	1,024,902	1.2%	1,096,053	1.6%	15.9%
Utility recovery charge and other fees	824,646	1.4%	700,154	0.8%	477,492	0.7%	17.8%
Fuel flowage fees	379,300	0.6%	242,143	0.3%	261,792	0.4%	56.6%
Common use departure fees	203,435	0.3%	183,371	0.2%	8,018	0.0%	10.9%
Total facilities and systems usage charges	<u>24,005,891</u>	39.4%	<u>10,542,633</u>	12.6%	<u>5,308,037</u>	7.7%	127.7%
General merchandise	6,641,732	10.9%	5,527,149	6.6%	4,421,204	6.4%	20.2%
Car rental	1,408,629	2.3%	856,535	1.0%	359,631	0.5%	64.5%
Ground transportation	1,129,610	1.9%	407,880	0.5%	(5,287)	0.0%	176.9%
Food and beverage	772,627	1.3%	400,001	0.5%	115,867	0.2%	93.2%
In-flight catering	682,747	1.1%	393,306	0.5%	263,497	0.4%	73.6%
Other	622,450	1.0%	380,939	0.5%	355,030	0.5%	63.4%
GASB 87 implementation	(8,043,292)	-13.2%	4,771,520	5.7%	---	0.0%	-268.6%
Total concession fees	<u>3,214,503</u>	5.3%	<u>12,737,330</u>	15.2%	<u>5,509,942</u>	8.0%	-74.8%
Operating space - airline	1,995,263	3.3%	1,904,161	2.3%	2,789,602	4.1%	4.8%
Operating space - non airline	3,913,154	6.4%	3,637,639	4.3%	4,060,166	5.9%	7.6%
Other	3,794,159	6.2%	3,863,661	4.6%	3,696,941	5.4%	-1.8%
GASB 87 implementation	1,306,506	2.1%	(3,321)	0.0%	---	0.0%	-39440.7%
Total rental income	<u>11,009,082</u>	18.0%	<u>9,402,140</u>	11.2%	<u>10,546,709</u>	15.3%	17.1%
Miscellaneous	1,961,444	3.2%	508,505	0.6%	1,808,568	2.6%	285.7%
Total operating	<u>40,190,920</u>	65.9%	<u>33,190,608</u>	39.5%	<u>23,173,256</u>	33.7%	21.1%
Aviation fuel tax	6,782,872	11.1%	---	0.0%	---	0.0%	---
Federal capital grants	6,467,389	10.6%	23,498,637	28.0%	22,340,926	32.5%	-72.5%
Passenger facility charge	3,281,933	5.4%	1,349,348	1.6%	270,964	0.4%	143.2%
Federal operating grants	2,071,462	3.4%	24,206,136	28.8%	20,442,607	29.7%	-91.4%
Interest income	1,351,070	2.2%	818,954	1.0%	762,933	1.1%	65.0%
Other	698,052	1.1%	741,413	0.9%	1,816,455	2.6%	-5.8%
Interest on leases	154,121	0.3%	131,998	0.2%	---	0.0%	16.8%
Total non-operating	<u>20,806,899</u>	34.1%	<u>50,746,486</u>	60.5%	<u>45,633,885</u>	66.3%	-59.0%
Total revenues	<u>\$60,997,819</u>	100.0%	<u>\$83,937,094</u>	100.0%	<u>\$68,807,141</u>	100.0%	-27.3%

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**D. Financial Operation Highlights, continued**

***Operating Revenues***

Out of the \$40.2 million in total operating revenues, \$24 million originated from facilities and use charges, while \$3.2 million resulted from total concession fees. \$6.6 million was attributed to the implementation of GASB No. 87, Leases, aimed at enhancing accounting and financial reporting for leases by governments. Miscellaneous income accounted for \$2 million.

***Non-Operating Revenues***

Non-operating revenues, which include interest income, interest on leases, passenger facility charges ("PFCs"), grants from the U.S. government, and other miscellaneous sources, made up 34.1% of the Authority's total revenues, reaching a sum of \$20.8 million. The primary contributors were \$8.5 million from the federal government, a substantial portion of which is from the FAA. PFC collections accounted for \$3.3 million, and interest income accumulated to \$1.4 million. This is the first year for the Authority to record its share of the Aviation Fuel Tax which represents the net revenues from 2018 to 2023.

***Total Expenses (Operating, Depreciation and Amortization, and Non-Operating)***

In FY 2023, total expenses reached \$92.9 million, with operating expenses constituting 50.6% of the Authority's total expenditures, amounting to \$47 million. This category included significant allocations for contractual services at \$23.6 million, personnel services at \$22.2 million, and \$1.2 million for materials and supplies. Depreciation and amortization amounted to \$32.9 million, representing 35.4% of the total expenses.

	<u>2023</u>	<u>2023</u> <u>% of Total</u>	<u>2022</u>	<u>2022</u> <u>% of Total</u>	<u>2021</u>	<u>2021</u> <u>% of Total</u>	<u>2023</u> <u>% Increase</u> <u>(Decrease)</u> <u>from 2022</u>
Operating expenses:							
Contractual services	\$ 23,561,445	25.4%	\$ 18,967,112	22.5%	\$ 14,857,167	22.1%	24.2%
Personnel services	22,241,484	23.9%	18,907,278	22.4%	18,886,492	28.1%	17.6%
Materials and supplies	<u>1,166,197</u>	1.3%	<u>1,300,131</u>	1.5%	<u>799,951</u>	1.2%	-10.3%
Total operating expenses	<u>46,969,126</u>	50.6%	<u>39,174,521</u>	46.5%	<u>34,543,610</u>	51.4%	19.9%
Depreciation and amortization	<u>32,873,078</u>	35.4%	<u>31,247,534</u>	37.1%	<u>29,198,113</u>	43.4%	5.2%
Non-Operating:							
Interest expense	8,708,546	9.4%	9,443,734	11.2%	(756,281)	-1.1%	-7.8%
Non-recurring expense - typhoon	1,024,489	1.1%	---	0.0%	---	0.0%	---
Other	<u>3,314,608</u>	3.6%	<u>4,393,256</u>	5.2%	<u>4,237,712</u>	6.3%	-24.6%
Total non-operating expenses	<u>13,047,643</u>	14.0%	<u>13,836,990</u>	16.4%	<u>3,481,431</u>	5.2%	-5.7%
Total expenses	<u>\$ 92,889,847</u>	100.0%	<u>\$ 84,259,045</u>	100.0%	<u>\$ 67,223,154</u>	100.0%	10.2%
Total full time employees	222		235		235		-5.5%

Antonio B. Won Pat International Airport Authority, Guam  
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Management’s Discussion and Analysis, continued

**D. Financial Operation Highlights, continued**

***Total Expenses (Operating, Depreciation and Amortization, and Non-Operating), continued***

In carrying out its fiduciary responsibilities, the Authority continued to take a proactive approach with cost-cutting initiatives and strict protocols. The prioritization of essential supplies and services ensured uninterrupted operational readiness, even in the aftermath Typhoon Mawar. This contributed to the Authority’s bond rating being upgraded from “Negative” to “Stable” in March 2023 by Moody’s Investor Services and the subsequent reaffirmation of its investment grade rating of Baa2 with Stable Outlook in September 2023.

***Full Time Employees***

As of September 30, 2023, the Authority employed 222 full-time employees (“FTEs”).

**E. Cost per Enplaned Passenger & Debt Service Coverage**

In FY 2023, the Authority's cost per enplaned passenger (“CPE”) was approximately \$26.23. Enplaned passengers encompass individuals departing from Guam or transiting through the island. The CPE utilizes a hybrid rate-setting system, incorporating elements of both residual-cost and compensatory-cost rate setting methodology. This approach grants the Authority the flexibility to offset aeronautical costs with non-aeronautical revenues.

	<u>2023</u>	<u>% of Total</u>	<u>2022</u>	<u>% of Total</u>	<u>2021</u>	<u>% of Total</u>
Airport revenues						
Signatory airline rentals and fees	\$ 22,529,601	37.3%	\$ 10,231,709	18.7%	\$ 6,158,049	13.8%
Revenue from sources other than signatory airline rentals and fees*	24,398,105	40.4%	18,190,699	33.2%	17,015,209	38.2%
Passenger facility charge revenue	3,281,933	5.4%	1,349,348	2.5%	270,964	0.6%
Aviation fuel tax	6,782,872	11.2%	---	0.0%	---	0.0%
Federal operating grants	2,071,462	3.4%	24,206,136	44.2%	20,442,607	45.9%
Interest income not related to construction	<u>1,300,098</u>	2.2%	<u>755,981</u>	1.4%	<u>618,953</u>	1.4%
 Total airport revenues	 <u>\$ 60,364,071</u>	 100.0%	 <u>\$ 54,733,873</u>	 100.0%	 <u>\$ 44,505,782</u>	 100.0%
		<u>% Change</u>		<u>% Change</u>		
Signatory airline enplaned passengers	<u>859,013</u>	110.3%	<u>408,439</u>	227.1%	<u>124,856</u>	
Signatory airline cost per enplaned passenger	<u>\$26.23</u>	4.7%	<u>\$25.05</u>	-49.2%	<u>\$49.32</u>	

\*FY 2023 and FY 2022 revenues are net of the GASB 87 bookkeeping entries.

Antonio B. Won Pat International Airport Authority, Guam  
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Management’s Discussion and Analysis, continued

**PE. Cost per Enplaned Passenger & Debt Service Coverage, continued**

Regarding the Debt Service Coverage (“DSC”) ratio, which was mandated by 2019, 2021, and 2023 bond covenants to equal 1.25x. The FY 2023 DSC was recorded at 1.69x, reflecting robust coverage beyond the 1.25x DSC ratio.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Airport Revenues*	\$ 60,364,071	\$ 54,733,873	\$ 44,505,782
Less: Operation and Maintenance Expenses**	<u>(48,076,913)</u>	<u>(42,438,343)</u>	<u>(35,767,648)</u>
Net Revenues	12,287,158	12,295,530	8,738,134
Plus: Other Available Moneys	<u>6,847</u>	<u>2,018,555</u>	<u>1,729,676</u>
Net Revenues and Other Available Moneys	<u>\$ 12,294,005</u>	<u>\$ 14,314,085</u>	<u>\$ 10,467,810</u>
 <u>Rate Covenant</u>			
Net Revenues and Other Available Moneys	\$ 12,294,005	\$ 14,314,085	\$ 10,467,810
Total Annual Debt Service	\$ 7,264,857	\$ 8,074,221	\$ 6,918,703
Annual Debt Service Coverage	1.69	1.77	1.51
Debt service coverage requirement	1.25	1.25	1.25

\*FY 2023 and FY 2022 revenues are net of GASB 87 bookkeeping entries.

\*\*O&M expenses are net of Pension and OPEB bookkeeping entries.

The positive CPE and DSC results in FY 2023 are attributed to the Authority's strategic efforts, including the refunding/refinancing of several general revenue bonds in FY 2019 (\$34 million), FY 2021 (\$143 million), and FY 2023 (\$47 million). Additionally, financial support from the federal government, the Government of Guam, and funds received through the American Rescue Plan played a crucial role. These revenue initiatives provided the flexibility needed by the Authority to ensure compliance with its bond covenants.

***Airline Signatory Rates & Charges***

The Signatory Airline Agreement holds significant importance for both the Authority and its signatory airline partners. This agreement grants the airlines non-exclusive rights to utilize airport facilities, equipment improvements, and services, along with the occupancy of specific exclusive-use premises and facilities at favorable rates. In exchange, the Authority, with the signatory airline partners acting as guarantors, safeguards its financial position and maintains the ability to establish rates and charges to cover operational costs.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**E. Cost per Enplaned Passenger & Debt Service Coverage, continued**

*Airline Signatory Rates & Charges, continued*

The majority of the airlines operating at the Authority are signatory carriers. Signatory airlines have consistently constituted over 95% of passenger activity at the Authority. In FY 2023, the Authority's signatory airlines include the following carriers: United Airlines, Japan Airlines, Korean Air, Philippine Airlines, China Air, Jin Air, Jeju Air, Air Busan, T'way Air, and Air Seoul.

**F. Outlook for FY 2024**

Despite the challenges posed by Typhoon Mawar and the lingering impacts of COVID-19, the Authority is ready to take off, refocus, and revitalize, emerging stronger as the Asian travel market improves. During the first two quarters of FY 2024 (October 2023 through March 2024), there was a surge in passenger movements to 551,106, marking a significant 127% recovery year-over-year and reaching 58% of the same period in FY 2019, before the pandemic. Enplanements, including departing and transit passengers, accounted for 53% of total passenger movements.

Based on signatory airline forecasts, projections estimate 1.41 million enplaned passengers for FY 2024, representing approximately 74.9% of FY 2019's pre-pandemic enplanements. This readiness to soar highlights the Authority's resilience and commitment to regaining strength in the evolving travel landscape.

The Guam Visitors Bureau Preliminary Arrival Summary Report for March 2024 underscores the island's consistent allure for travelers from South Korea, which remains the largest source market. Of the 406,998 visitors to Guam between October 2023 and March 2024, 224,389 were from South Korea, making up 55.1% of total arrivals. Japan, another crucial market, contributed 109,719 visitors in the same period, accounting for 26.9% of overall visitors and showing a substantial increase from FY 2023, which recorded only 11,583 arrivals during the same timeframe.

The upswing in visitor arrivals from Japan may correlate to the additional flights introduced by United Airlines and the 5th freedom flights operated by South Korean Low-Cost Carriers through Japan. In May 2024, United began its Haneda/Guam route. This is a promising development that is expected to bolster seat capacity from this significant market, instilling optimism for Guam's resurgence as a favored destination in the Japan travel market.

***Capital Improvements***

With several more of its large capital improvements completed such as the Runway 6L/24R Runway Rehabilitation and the newly constructed, modern Aircraft Rescue and Firefighting Facility, the Authority remains focused on enhancing the safety and security of Guam's only commercial airport and is looking to complete the following projects:

Antonio B. Won Pat International Airport Authority, Guam  
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Management's Discussion and Analysis, continued

**F. Outlook for FY 2024, continued**

*Capital Improvements, continued*

Airport Masterplan. The Authority's masterplan is near completion and will identify other ways to optimize its facilities such as a new ticketing lobby configuration, an expanded security queuing area, more airport concessions and amenities, and upgrades to gates and hold rooms.

Terminal Roof Replacement. The design for this project is nearly complete. The Authority put this out for bid in May 2024. Typhoon Mawar exposed the vulnerability the Authority's Terminal structure has against Category 5 storms. This project will provide the necessary repairs and infrastructure to mitigate future natural disasters.

Terminal Apron Rehabilitation. The Terminal Apron Rehabilitation project will commence by the third quarter of FY 2024. This will provide repairs to the Authority's aircraft parking aprons and adjacent taxiways.

Zero Emissions Vehicles & Infrastructure. The ZEV and Infrastructure project is a pilot program under the FAA's ZEV initiatives to help reduce carbon emissions on or around U.S. airports. The Authority anticipates receiving its first fleet of ZEV vehicles in FY 2024.

Cargo Apron & Fuel System Extension. The design for the construction of the Cargo Aprons to service the Integrated Air Cargo Terminal is in its final stages of development. The Authority anticipates this project to be issued for bid in FY 2024.

Main Gate Improvements (Airport Operations Access). The Authority will engage the services of a professional firm to study the relocation and develop the design of its main Airport Operations Access ("AOA") gate due to the increase in airside activities.

Security Screening Expansion. The Authority will issue a Request for Proposal to design the expansion of the queuing area for the Security Screening Checkpoint operated by TSA. This will increase the volume of passengers that can be accommodated in what is a very congested area.

Airport Energy Efficiency Assessment. The Authority will be undertaking an energy efficiency assessment. This will provide a basis for its sustainability initiatives and will help shape its Sustainable Policy.

Southside Fuel Tank Storage Facility. The Authority is studying the feasibility for the installation of a 10,000 gallon above-ground, fuel storage facility to service general aviation and fixed based operators located on the South Tiyan properties.

Fire Alarm/Fire Suppression System. This project will provide the Authority with a centralized monitoring system for all facilities under the Authority's footprint.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**F. Outlook for FY 2024, continued**

***Capital Improvements, continued***

*Expanded Access to Airport Facilities by Individuals with Disabilities.* This project will provide expanded access to airport facilities for individuals with disabilities. Plans will include expanded curbside canopies, improved digital signage, and other improvements.

*Information Technology Infrastructure and Financial Management Systems Integration Assessment and Design.* The Authority commissioned a study to identify its information technology needs, to include the infrastructure and software needed for a modern, international airport.

*Underground Utility Infrastructure Relocation and Power Generation.* As part of its sustainability initiatives, the Authority is looking to relocate its overhead power distribution infrastructure and relocate it underground. This initiative will minimize impacts brought on by natural or manmade disasters, and provide the resiliency needed for immediate recovery after an event.

The Authority will continue to initiate only capital projects federally funded or essential to the Airport's primary functions and increased efficiencies.

***Airport Circulation and Roadway Improvements***

The Authority is collaborating with various government agencies, particularly DPW, to advance enhancements to the roadways adjacent to airport property. These improvements aim to augment capacity and enhance traffic circulation. One significant project is Phase II of the Tiyan Parkway, a 1.5-mile roadway system catering to more than 15,000 daily motorists. Additionally, there is an ongoing project to expand Route 10A, a 2-mile stretch of road in front of the airport, connecting Route 1 Marine Corps Drive and Route 16 Army Drive. The Authority is also backing the expansion of Mariner Avenue on the south side of the Airport Property to alleviate congestion at the tri-intersection of Routes 8, 10, and 16.

***Sustainable Development***

The Authority will continue its efforts to align itself with the net-zero carbon goals that the entire aviation industry including ACI, IATA, and ICAO have committed to achieving. The Authority plans to apply to the ACI Airport Carbon Accreditation ("ACA") program, which is the only institutionally endorsed, global carbon management certification program for airports that independently assesses and recognizes the efforts of airports to manage and reduce their carbon emissions through six (6) levels of certification. Additionally, the Authority will continue to pursue federal government grant programs such as the ZEV Program, and other actions and projects and programs are expected to be planned and undertaken throughout the next several fiscal years.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

**F. Outlook for FY 2024, continued**

***Revenue Diversification***

The Authority continues to find ways to diversify and enhance its revenue streams to provide for increased financial stability with a strong framework to drive revenues up, make funds available for continued capital improvements, and reduce airline costs. Revenue diversification helps reduce business risks during economic downturns and provides a source of income for operations and infrastructure improvements. More importantly, it helps attract new business interests and broaden the tenant mix at the airport.

The Authority has over 21 acres of raw land available and is looking for partners to develop these properties. We are working to make our lease terms more flexible and increasing term limits from 5 years to 30 years or longer to ensure a suitable time frame to realize a return on investment for our partners. This requires amendments to existing Guam statute and the Authority continues to pursue such updates to allow for increased revenue diversification.

***Financial Outlook***

The Authority's financial outlook is projected to experience a significant upturn in FY 2024 when compared to the preceding two fiscal years. Signatory airline forecasts are expecting that total operating revenues will escalate from \$40.2 million in FY 2023 to \$69 million in FY 2024. Anticipated financial support includes an estimated \$10 million in federal grants from the FAA through the Airport Improvement Program entitlement funding and the Bipartisan Infrastructure Law enacted in 2021.

The expected revenue distribution reflects 54% for aeronautical revenues and 46% for non-aeronautical revenues. The Authority is steadfast in its commitment to exploring opportunities to reevaluate, diversify, and actively pursue a variety of revenue streams to mitigate airport operating costs. Incentives for both existing and new markets will be implemented to foster continuous growth in air service development.

Furthermore, the Authority's Board of Directors and Management team will diligently uphold their fiduciary responsibilities. They will ensure the implementation of effective cost-containment measures without compromising airport safety and security, thus promoting sustainable financial practices.

Antonio B. Won Pat International Airport Authority, Guam  
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Management's Discussion and Analysis, continued

**F. Outlook for FY 2024, continued**

***Operation and Maintenance Expenditures***

Anticipated operations and maintenance (“O&M”) expenditures for FY 2024 are expected to exceed the figures from FY 2023. This increase is mainly due to the substantial recovery in passenger traffic, leading to an increased demand for contractual services at the Airport. The increase in utility expenses had a significant impact on the Authority's overall expenses. Despite these challenges, the Authority underscores the utmost importance of maintaining airport operations continuously, as a licensed FAR Part 139 airport operating 24/7, while ensuring a safe and secure travel environment.

***Passenger Enplanement Cost & Debt Service Coverage***

The CPE for FY 2024 is projected to be \$28.63, while the DSC comfortably exceeds the Authority's bond indentures requirement of 1.25x, forecasted at 1.81x.

***Workforce Development***

In the next 3-5 years, a significant portion of the Authority's 200 plus employees, ranging from 10% to 20%, will become eligible for retirement, and many of them hold crucial positions. Moreover, the aviation industry is experiencing substantial growth. Considering the expanding operations, increased workload, and the myriad of responsibilities in the Guam aviation industry, it is crucial to develop the core workforce to uphold high standards and quality in the daily operations of Guam's sole commercial airport.

Workforce development and succession planning are integral components of the Authority's strategic management process. These initiatives will align with long-term goals and objectives, mitigate risks associated with turnover, and cultivate personnel to meet future organizational needs. Furthermore, they will furnish the Authority with a strategically planned approach and framework for the workforce development and succession plan for the management of Guam's only commercial airport.

The Authority recently implemented a compensation pay study, which received approval from the Board. Pay adjustments for employees took effect in Spring 2024. This undertaking is crucial for the Authority to maintain competitiveness in the Guam market, preserve the ability to retain its current workforce, and enhance its capability to attract and recruit the best talent from Guam and the surrounding region.

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Management's Discussion and Analysis, continued

**F. Outlook for FY 2024, continued**

***Conclusion***

With over \$2.3 billion in direct, indirect, or induced economic activity for our island community, the Authority serves as a crucial economic driver for Guam and the Micronesian region. As the Authority endeavors to reconstruct its network and connections, it will persist in developing Guam's sole commercial airport. This involves overseeing the ongoing capital improvement projects, minimizing operational disruptions, and striving to maintain a superior level of airport services, prioritizing safety, security, efficiency, and effectiveness. This commitment ensures that the Authority continues to stand as a regional leader in aviation and a significant player in the Asia/Pacific region.

Antonio B. Won Pat International Airport Authority, Guam  
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Statements of Net Position

	September 30,	
	2023	2022
<b>Assets</b>		
Current assets:		
Unrestricted assets:		
Cash	\$ 2,946,383	\$ 932,365
Accounts receivable, trade, net of allowance for doubtful accounts of \$989,249 at September 30, 2023 (\$886,640 at September 30, 2022)	8,059,393	7,630,887
Federal grants receivable	954,191	3,884,349
Aviation fuel tax receivable, net of allowance for doubtful accounts of \$2,471,753 at September 30, 2023	6,782,872	---
Lease receivable	3,706,780	13,708,420
Inventory and other	209,656	424,151
Total unrestricted current assets	22,659,275	26,580,172
Restricted assets:		
Custom fees cash	128,371	---
Passenger facility charges cash	871	10,300
Customs fees receivable	1,231,494	966,439
Passenger facility charges receivables	511,470	331,423
Total restricted current assets	1,872,206	1,308,162
Total current assets	24,531,481	27,888,334
Lease receivable, net	12,740,962	7,836,887
General Revenue Bonds:		
Investments and cash with trustees, unrestricted	20,810,870	29,905,885
Investments and cash with trustees, restricted	23,527,995	21,351,555
	44,338,865	51,257,440
Depreciable capital assets, net	401,980,505	401,669,469
Non-depreciable capital assets	79,100,789	99,534,354
Avigation easements	2,740,632	4,016,811
Total assets	565,433,234	592,203,295
<b>Deferred outflows of resources</b>		
Deferred differences on bond refunding	11,899,215	13,240,344
Pension	15,446,044	4,850,322
Other postemployment benefits	9,624,528	15,098,596
Total deferred outflows of resources	36,969,787	33,189,262
Total assets and deferred outflows of resources	\$ 602,403,021	\$ 625,392,557

*See accompanying notes.*

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Statements of Net Position, continued

	September 30,	
	<u>2023</u>	<u>2022</u>
<b>Liabilities</b>		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable - trade	\$ 6,421,856	\$ 4,057,413
Accounts payable - construction	4,040,531	12,606,201
Other liabilities	5,867,066	4,367,073
Security deposits and unearned income	4,423,509	3,243,439
Current portion of annual leave	470,239	486,492
Current portion of long-term loan payable to bank	591,770	1,490,973
Accrued interest on General Revenue Bonds	3,227,747	4,036,111
Total payable from unrestricted assets	<u>25,042,718</u>	<u>30,287,702</u>
Payable from restricted assets:		
Customs fees payable to Treasurer of Guam	<u>1,532,095</u>	<u>967,035</u>
Total payable from restricted assets	<u>1,532,095</u>	<u>967,035</u>
Total current liabilities	<u>26,574,813</u>	<u>31,254,737</u>
Non-current liabilities:		
Payable from unrestricted assets:		
Accrued sick leave	254,589	153,848
Long-term portion of annual leave	1,442,333	1,391,889
Long-term loan payable to bank	---	587,012
Net pension liability	43,177,821	28,748,328
Collective total other postemployment benefit liability	<u>42,349,839</u>	<u>50,781,242</u>
Total payable from unrestricted assets	<u>87,224,582</u>	<u>81,662,319</u>
Payable from restricted assets:		
Long-term bonds payable, less current installments:		
General Revenue Bonds	<u>194,435,457</u>	<u>191,280,700</u>
Total non-current liabilities	<u>281,660,039</u>	<u>272,943,019</u>
Total liabilities	<u>308,234,852</u>	<u>304,197,756</u>
<b>Deferred inflows of resources:</b>		
Deferred differences on refunding of bonds	425,243	12,568
Pension	1,058,051	3,831,131
Other postemployment benefits	24,317,353	21,335,001
Leases	<u>18,685,414</u>	<u>14,441,965</u>
Total deferred inflows of resources	<u>44,486,061</u>	<u>39,620,665</u>
<b>Net position:</b>		
Net investment in capital assets	300,268,671	325,089,725
Restricted for:		
Capital assets	23,527,995	21,351,555
Custom fees	( 172,230 )	( 597 )
Passenger facility charge purposes	512,341	341,723
Unrestricted	<u>( 74,454,669 )</u>	<u>( 65,208,270 )</u>
Total net position	<u>\$ 249,682,108</u>	<u>\$ 281,574,136</u>

*See accompanying notes.*

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended September 30,	
	<u>2023</u>	<u>2022</u>
Operating revenues:		
Facilities and systems usage charges	\$ 24,005,891	\$ 10,542,633
Rental income	11,009,082	9,402,140
Concession fees	3,214,503	12,737,330
Miscellaneous	<u>1,961,444</u>	<u>508,505</u>
Total operating revenues	<u>40,190,920</u>	<u>33,190,608</u>
Operating costs and expenses:		
Contractual services	23,561,445	18,967,112
Personnel services	22,241,484	18,907,278
Materials and supplies	<u>1,166,197</u>	<u>1,300,131</u>
Total operating costs and expenses	<u>46,969,126</u>	<u>39,174,521</u>
Loss from operations before depreciation and amortization	( 6,778,206 )	( 5,983,913 )
Depreciation and amortization	( <u>32,873,078</u> )	( <u>31,247,534</u> )
Operating loss	( <u>39,651,284</u> )	( <u>37,231,447</u> )
Non-operating revenues (expenses):		
Aviation fuel tax	6,782,872	---
Passenger facility charges	3,281,933	1,349,348
Federal operating grants	2,071,462	24,206,136
Interest income	1,351,070	818,954
Interest on leases	154,121	131,998
Non-recurring expenses	( 1,024,489 )	---
Other expenses, net	( 2,616,556 )	( 3,651,843 )
Interest expense	<u>( 8,708,546 )</u>	<u>( 9,443,734 )</u>
Total non-operating revenues, net	<u>1,291,867</u>	<u>13,410,859</u>
Loss before capital grants	( 38,359,417 )	( 23,820,588 )
Federal capital grants	<u>6,467,389</u>	<u>23,498,637</u>
Decrease in net position	( 31,892,028 )	( 321,951 )
Net position, beginning of year	<u>281,574,136</u>	<u>281,896,087</u>
Net position, end of year	<u>\$ 249,682,108</u>	<u>\$ 281,574,136</u>

*See accompanying notes.*

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Statements of Cash Flows

	Year Ended September 30,	
	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 43,675,657	\$ 21,643,085
Cash paid to suppliers for goods and services	( 32,813,853 )	( 22,945,978 )
Cash paid to employees	( 21,045,861 )	( 20,716,291 )
Cash received from fiduciary activities	<u>5,952,552</u>	<u>2,603,409</u>
Net cash used in operating activities	( <u>4,231,505</u> )	( <u>19,415,775</u> )
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	6,918,575	15,156,920
Interest income on investments	<u>1,465,165</u>	<u>944,410</u>
Cash provided by investing activities	<u>8,383,740</u>	<u>16,101,330</u>
<b>Cash flows from non-capital financing activity:</b>		
Federal non-operating grants	<u>1,104,220</u>	<u>17,000,000</u>
Cash provided by non-capital financing activity	<u>1,104,220</u>	<u>17,000,000</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payment on General Revenue Bonds	( 43,500,000 )	---
Acquisition and construction of airport facilities and aviation easement	( 11,474,370 )	( 41,519,881 )
Interest paid on General Revenue Bonds	( 8,232,514 )	( 6,098,733 )
Principal payment on loan payable to bank	( 1,486,215 )	( 1,401,095 )
Interest paid on loan payable to bank	( 81,291 )	( 166,408 )
Other financing source - refunding bonds	47,080,000	---
U.S. Government capital and operating grants	11,469,009	33,830,648
Passenger facility charge receipts	<u>3,101,886</u>	<u>1,118,280</u>
Net cash used in capital and related financing activities	( <u>3,123,495</u> )	( <u>14,237,189</u> )
Net increase (decrease) in cash	2,132,960	( 551,634 )
Cash at beginning of year	<u>942,665</u>	<u>1,494,299</u>
Cash at end of year	<u>\$ 3,075,625</u>	<u>\$ 942,665</u>
<b>Consisting of:</b>		
Unrestricted	\$ 2,946,383	\$ 932,365
Restricted	<u>129,242</u>	<u>10,300</u>
	<u>\$ 3,075,625</u>	<u>\$ 942,665</u>

*See accompanying notes.*

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Statements of Cash Flows, continued

	Year Ended	
	September 30,	
	<u>2023</u>	<u>2022</u>
<b>Reconciliation of operating loss and other</b>		
<b>expenses to net cash used in operating activities:</b>		
Operating loss	\$ ( 39,651,284 )	\$ ( 37,231,447 )
Other and non-recurring expenses	( <u>3,641,045</u> )	( <u>3,627,793</u> )
	( <u>43,292,329</u> )	( <u>40,859,240</u> )
Adjustments to reconcile operating loss and other		
expenses to net cash used in operating activities:		
Depreciation and amortization	32,873,078	31,247,534
Non-cash OPEB cost	748,044	1,637,823
Non-cash pension costs	5,195,239	1,790,262
Bad debt expense	2,574,363	522,640
(Increase) decrease in assets:		
Accounts receivable	( 649,018 )	( 3,303,663 )
Lease receivable	5,097,565	( 21,167,307 )
Inventory and other	214,495	( 266,153 )
Increase (decrease) in liabilities:		
Accounts payable	( 5,636,167 )	788,916
Other current liabilities	( 1,499,993 )	( 34,907 )
Security deposits and unearned income	75,850	( 127,919 )
Annual leave	34,191	221,682
Sick leave	( 100,741 )	26,629
Collective total OPEB liability	25,017	( 539,709 )
Net pension liability	( 4,134,548 )	( 3,794,328 )
Deferred inflow of resources - lease revenue	<u>4,243,449</u>	<u>14,441,965</u>
 Total adjustments	 <u>39,060,824</u>	 <u>21,443,465</u>
 Net cash used in operating activities	 \$ ( <u>4,231,505</u> )	 \$ ( <u>19,415,775</u> )

*See accompanying notes.*

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements

Years Ended September 30, 2023 and 2022

**1. Organization and Summary of Accounting Policies**

**Organization**

The Antonio B. Won Pat International Airport Authority, Guam, (the Authority), was created by Public Law 13-57 (as amended) as a component unit of the Government of Guam to own and operate the facilities of the Guam International Air Terminal, located at Tiyan, Guam. It is charged with the acquisition, construction, operation and maintenance of the airport and related facilities for civil aviation on Guam. The Authority supports its operations through landing fees and charges for the use of its facilities and through rentals under concessionaire agreements.

**Basis of Accounting**

The Authority utilizes the flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Net Position**

Net position represents the residual of all other elements presented in the statement of net position and is presented in the following categories:

*Net investment in capital assets*

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

*Restricted*

Nonexpendable – Net position subject to externally imposed stipulations that require the Authority to maintain them permanently.

Expendable – Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire with the passage of time.

All of the Authority's restricted net position at September 30, 2023 and 2022 is expendable.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Net Position, continued**

*Unrestricted*

The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

**Cash**

For the purpose of the statement of cash flows, cash is defined as cash on hand and in banks. Cash on hand and in banks include cash from passenger facility charges and customs fees.

**Accounts Receivable**

Accounts receivable are primarily due from airlines utilizing the Authority's airport terminal facilities and various business establishments located in Guam. The Authority performs periodic credit evaluations of its customers, and generally does not require collateral. Receivables are considered past due when payment is not received within 90 days from the date of billing. The Authority accrues finance charges on past due receivables. Receivables are stated net of estimated allowances for doubtful accounts.

The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts and charged as a reduction of revenues.

**Inventory**

Inventory is recorded at the lower of cost (using first-in, first-out method) or market value.

**Investments**

Investments and related investment earnings are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Bond Premium and Discount**

Bond premium and discount are amortized on a weighted-average basis over the life of the bond issue. Bonds payable are reported net of bond premium and discount.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Lease receivable**

Lease receivable represents the present value of lease payments expected to be received during the lease term. The Authority has adopted policies to assist in determining lease treatment in accordance with the requirements of GASB Statement No. 87, which include the following: (1) the maximum possible lease term is non-cancelable by both lessee and lessor and is more than 12 months and (2) the terms of the lease will include possible extension periods that are deemed to be reasonably certain given all available information, regarding the likelihood of renewal.

**Capital Assets and Depreciation and Amortization**

Capital assets, whether purchased or constructed, are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of airport facilities and amortization of improvements has been computed by the straight-line method using estimated useful lives of 5 to 35 years for buildings and 3 to 10 years for equipment.

The Authority capitalizes buildings, land improvements and equipment that have a cost of \$5,000 or more and an estimated useful life of at least three years. The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend the lives of the assets are not capitalized.

The costs of issuing bonds to finance construction of airport facilities have been capitalized and are being amortized on a weighted-average basis over the lives of the bonds outstanding.

**Avigation Easements**

Avigation easements are property rights acquired by the Authority whenever land use around the Guam International Air Terminal needs to be controlled or when air rights are required. The Authority capitalizes the cost incurred for air rights and is amortized over 15 years using the straight-line method.

**Impairment of Capital Assets**

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred.

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Compensated Absences**

In accordance with Public Law 27-005 and Public Law 28-068, employees vacation rates are credited at either 104, 156 or 208 hours per year, depending upon their length of service as follows:

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service.
2. Three-fourths day (6 hours) for each full bi-weekly pay period in the case of employees with more than five (5) years of service but less than fifteen (15) years of service.
3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with more than fifteen (15) years of service.

The statutes reduce the maximum accumulation of such vacation credits from 480 to 320 hours. Public Law 27-106 amended subsection (c) of 4 Guam Code Annotated § 4109. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over the excess shall be lost.

Accrued annual leave up to 320 hours is converted to pay upon termination of employment. Amounts to be paid during the next fiscal year are reported as current.

**Pensions**

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Authority recognizes a net pension liability for the pension plan in which it participates, which represents the Authority's proportionate share of total pension liability (actuarially calculated) over the pension plan assets, measured as of the fiscal year end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues and expenses generally result directly from the operation and maintenance of the Guam International Air Terminal. Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, passenger facility charges, and certain other non-recurring income and expenses.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Other Post-Employment Benefits**

Other post-employment benefits (OPEB) are required to be recognized and disclosed using the accrual basis of accounting. The Authority recognizes a collective total OPEB liability for the OPEB plan in which it participates, which represents the Authority's proportionate share of collective total OPEB liability (actuarially calculated) measured as of the fiscal year end. Changes in the collective total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. As required by GASB Statements No. 68, 71, 73, and 75, the Authority reports deferred outflows of resources for pension-related and OPEB-related amounts: payments since the measurement date, changes in assumptions, and for differences between projected and actual earnings.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources until then. As required by GASB Statements No. 68, 73 and 75, the Authority reports deferred inflows of resources for pension-related and OPEB-related amounts: for its share of the difference between expected and actual earnings, for its share of the difference between its contributions and its proportionate share of contributions, and for the difference between expected and actual experience. The Authority also reports deferred inflows of resources for the difference between the carrying amount and the reacquisition price of refunded bonds.

**Passenger Facility Charges**

Passenger facility charges ("PFC") generate income to be expended by the Authority for eligible projects and the payment of debt service on the General Revenue Bonds as determined by applicable federal legislation. PFC income is recorded as non-operating income in the statements of revenues, expenses and changes in net position. Air carriers collect PFC's from passengers on behalf of the Authority at the time of air travel ticket issuance. The air carriers are responsible for all PFC funds from the time of collection to remittance to the Authority. In addition, the air carriers must provide quarterly reports to the Authority showing the total amounts of PFC revenues collected and refunded, as well as any amounts withheld by the air carrier as collection compensation. The completeness of the PFC receipts reflected in the quarterly schedule is the responsibility of the air carrier.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Environmental Costs**

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, liabilities for future remediation and monitoring costs are recorded when environmental assessments and/or remedial and monitoring efforts are probable and the costs can be reasonably estimated. These liabilities are not reduced by possible recoveries from third parties, and projected cash expenditures are not discounted.

Pollution remediation liabilities are measured using the expected cash flow technique, which measures the liability as the sum of the probability-weighted amounts in a range of possible estimated amounts-the estimated mean or average.

**Risk Management**

The Authority is exposed to various risks of loss; theft of, damage to, and destruction of assets; operation and environmental liability; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is provided for claims arising from most of these matters. The Authority has procured catastrophic insurance, as discussed in Note 10.

**Estimates**

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

**Recently Adopted Accounting Pronouncements**

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The adoption of GASB Statement No. 91 did not have an effect on the Authority's financial statements.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The adoption of GASB Statement No. 94 did not have an effect on the Authority's financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The adoption of GASB Statement No. 96 did not have an effect on the Authority's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This statement provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:

- Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. This implementation did not have a material effect on the accompanying financial statements.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

- Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. This implementation did not have a material effect on the accompanying financial statements.
- Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. This implementation did not have a material effect on the accompanying financial statements.
- Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. This implementation did not have a material effect on the accompanying financial statements.

**Upcoming Accounting Pronouncements**

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods:

- Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.

In June 2022, GASB issues Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

**1. Organization and Summary of Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal years ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal years ending September 30, 2025.

The Authority is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

**Reclassification**

Certain reclassifications have been made to the 2022 financial statements for comparative purposes. Such reclassifications have no effect on the previously reported net loss.

**2. Deposit Risk and Major Customers**

The Authority maintains its cash in bank accounts, which at times may exceed federal depository insurance limits. At September 30, 2023, \$2,854,525 out of the Authority's bank deposits totaling \$3,145,837 is uninsured and uncollateralized, with the remainder being covered by federal depository insurance. At September 30, 2022, \$757,600 out of the Authority's bank deposits totaling \$1,024,441 is uninsured and uncollateralized, with the remainder being covered by federal depository insurance.

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Notes to Financial Statements, continued

**2. Deposit Risk and Major Customers, continued**

A primary concessionaire accounted for 19% and 21% of total operating revenues for the years ended September 30, 2023 and 2022, respectively. Receivables from the primary concessionaire totaled \$1,285,248 and \$2,724,967 at September 30, 2023 and 2022, respectively.

For the years ended September 30, 2023 and 2022, approximately 30% and 18%, respectively, of the Authority's total operating revenues, including passenger facility charge income, were derived from one airline customer. At September 30, 2023 and 2022, the accounts receivable from this airline customer totaled \$3,098,146 and \$1,920,389, respectively.

Concentration of credit risk with respect to the remaining accounts receivable which are due primarily from other various airlines, concessionaires and tour operators is limited due to the large number of customers comprising the Authority's customer base.

**3. Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2023 is as follows:

	Beginning Balance <u>October 1, 2022</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance September 30, <u>2023</u>
Depreciable capital assets:				
Terminal building	\$601,467,882	\$ 522,529	\$ 1,380,598	\$ 603,371,009
Airfield area	201,199,874	---	29,806,385	231,006,259
Other buildings	121,495,805	121,938	---	121,617,743
Apron area	28,632,976	---	---	28,632,976
Terminal area	24,876,119	---	---	24,876,119
Support facilities	<u>10,427,185</u>	<u>95,850</u>	<u>( 19,365)</u>	<u>10,503,670</u>
Total capital assets depreciated	988,099,841	740,317	31,167,618	1,020,007,776
Less accumulated depreciation	<u>(586,430,372)</u>	<u>(31,596,899)</u>	<u>---</u>	<u>( 618,027,271)</u>
	<u>\$401,669,469</u>	<u>\$(30,856,582)</u>	<u>\$ 31,167,618</u>	<u>\$ 401,980,505</u>
Non-depreciable capital assets:				
Land	\$ 61,832,623	\$ ---	\$ ---	\$ 61,832,623
Construction-in-progress	<u>37,701,731</u>	<u>10,734,053</u>	<u>(31,167,618)</u>	<u>17,268,166</u>
	<u>\$ 99,534,354</u>	<u>\$ 10,734,053</u>	<u>\$(31,167,618)</u>	<u>\$ 79,100,789</u>
Avigation easements:				
Cost	\$ 19,142,691	\$ ---	\$ ---	\$ 19,142,691
Accumulated amortization	<u>( 15,125,880)</u>	<u>( 1,276,179)</u>	<u>( --- )</u>	<u>( 16,402,059)</u>
	<u>\$ 4,016,811</u>	<u>\$( 1,276,179)</u>	<u>\$( --- )</u>	<u>\$ 2,740,632</u>

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Notes to Financial Statements, continued

**3. Capital Assets, continued**

A summary of changes in capital assets for the year ended September 30, 2022 is as follows:

	Beginning Balance October 1, 2021	Additions	Transfers and Deletions	Ending Balance September 30, 2022
Depreciable capital assets:				
Terminal building	\$567,134,777	\$ 49,679	\$ 34,283,426	\$601,467,882
Airfield area	172,633,680	---	28,566,194	201,199,874
Other buildings	121,417,419	78,386	---	121,495,805
Apron area	28,632,976	---	---	28,632,976
Terminal area	24,876,119	---	---	24,876,119
Support facilities	<u>10,427,185</u>	<u>---</u>	<u>---</u>	<u>10,427,185</u>
Total capital assets depreciated	925,122,156	128,065	62,849,620	988,099,841
Less accumulated depreciation	<u>(556,459,018)</u>	<u>(29,971,354)</u>	<u>---</u>	<u>(586,430,372)</u>
	<u>\$368,663,138</u>	<u>\$(29,843,289)</u>	<u>\$ 62,849,620</u>	<u>\$401,669,469</u>
Non-depreciable capital assets:				
Land	\$ 61,832,623	\$ ---	\$ ---	\$ 61,832,623
Construction-in-progress	<u>59,159,534</u>	<u>41,391,817</u>	<u>(62,849,620)</u>	<u>37,701,731</u>
	<u>\$120,992,157</u>	<u>\$ 41,391,817</u>	<u>\$(62,849,620)</u>	<u>\$ 99,534,354</u>
Avigation easements:				
Cost	\$ 19,142,691	\$ ---	\$ ---	\$ 19,142,691
Accumulated amortization	<u>(13,849,701)</u>	<u>(1,276,179)</u>	<u>(---)</u>	<u>(15,125,880)</u>
	<u>\$ 5,292,990</u>	<u>\$(1,276,179)</u>	<u>\$(---)</u>	<u>\$ 4,016,811</u>

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Notes to Financial Statements, continued

**4. Long-Term Revenue Bonds Payable**

Long-term revenue bonds payable at September 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
General revenue bonds, Series 2013 (original issue of \$247,335,000):		
Varying interest rates (3% - 6.375%) payable semiannually in October and April, principal payments due in varying annual installments with \$1,985,000 due in October 2028	\$ ---	\$ 43,500,000
General revenue bonds, Series 2019 (original issue of \$37,045,000):		
Varying interest rates (3% - 5%) payable semiannually in October and April, principal payment of \$3,900,000 due in October 2024	3,900,000	3,900,000
General revenue bonds, Series 2021 (original issue of \$143,430,000):		
Varying interest rates (2.5% - 4.5%) payable semiannually in October and April, principal payments due in varying annual installments with \$10,700,000 due in October 2025	143,430,000	143,430,000
General revenue bonds, Series 2023 (original issue of \$47,080,000):		
Varying interest rates (5% - 5.375%) payable semiannually in October and April, principal payments due in varying annual installments with \$115,000 due in October 2024	<u>47,080,000</u>	<u>---</u>
Total	194,410,000	190,830,000
Add net unamortized premium on bonds	<u>25,457</u>	<u>450,700</u>
	<u>\$194,435,457</u>	<u>\$191,280,700</u>

Antonio B. Won Pat International Airport Authority, Guam  
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Notes to Financial Statements, continued

**4. Long-Term Revenue Bonds Payable, continued**

Future bond principal and mandatory sinking fund installments payable by the Authority to the bond trustees are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2024	\$ ---	\$ 7,145,538	\$ 7,145,538
2025	4,015,000	7,771,615	11,786,615
2026	10,940,000	7,567,950	18,507,950
2027	11,220,000	7,273,906	18,493,906
2028	11,525,000	6,949,720	18,474,720
2029-2033	64,040,000	28,018,135	92,058,135
2034-2038	37,130,000	17,421,547	54,551,547
2039-2043	45,185,000	8,121,203	53,306,203
2044	<u>10,355,000</u>	<u>256,674</u>	<u>10,611,674</u>
	<u>\$194,410,000</u>	<u>\$90,526,288</u>	<u>\$284,936,288</u>

2013 Bonds

On September 12, 2013, the Authority issued \$247,335,000 General Revenue Bonds (collectively, the “2013 Bonds”) as follows:

• 2013 Series A (Non-AMT)	\$ 14,620,000
• 2013 Series B (Non-AMT)	33,675,000
• 2013 Series C (AMT)	<u>199,040,000</u>
	<u>\$247,335,000</u>

The 2013 Bonds were obtained for the following:

- a. refunding of all of the Authority’s outstanding Series 2003 Bonds;
- b. financing additions, extensions and improvements to the Airport;
- c. funding the 2013 Bond Reserve Account; and
- d. paying expenses incurred in connection with the issuance of the 2013 Bonds.

The aggregate purchase price was \$247,540,014 (the purchase price); representing the principal amount of the 2013 Bonds, plus a net original issue premium of \$2,891,161 and less an underwriters’ discount and insurance of \$2,686,147. Interest on the 2013 Bonds will be payable on April 1 and October 1 of each year.

The 2013 Bonds bear interest at rates from 3% to 6.375% and mature on October 1, 2023 for the 2013 Series A (Non-AMT) and on October 1, 2043 for the 2013 Series B (Non-AMT) and 2013 Series C (AMT).

The 2013 Bonds are subject to redemption prior to maturity date.

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Notes to Financial Statements, continued

**4. Long-Term Revenue Bonds Payable, continued**

The refunding resulted in a credit difference on refunding of \$3,008,461 representing the difference between the reacquisition price and carrying amount of the 2003 bonds. The Authority netted the \$2,422,781 unamortized difference from prior refunding against the \$3,008,461 difference in current refunding, and the resulting net credit of \$585,680 is to be deferred and amortized over the ten-year original amortization period remaining from the 2003 bonds. As of September 30, 2022, the unamortized balance of the difference in refunding totaled \$12,568, as presented in the accompanying statement of net position.

2019 Bonds

On November 1, 2019, the Authority issued \$37,045,000 General Revenue Bonds (collectively, the “2019 Bonds”) as follows:

- |                           |                     |
|---------------------------|---------------------|
| • 2019 Series A (AMT)     | \$ 18,645,000       |
| • 2019 Series B (Taxable) | <u>18,400,000</u>   |
|                           | <u>\$37,045,000</u> |

The 2019 Bonds were obtained for the advanced refunding of the Authority’s 2013 Series C bonds with maturities in FY2021 through FY2024.

The aggregate purchase price was \$38,558,876 (the purchase price); representing the principal amount of the 2019 Bonds, plus a net original issue premium of \$1,951,243 and less underwriters’ discount of \$437,367. Interest on the 2019 Bonds will be payable on April 1 and October 1 of each year.

The 2019 Bonds bear interest at rates from 3% to 5% and mature on October 1, 2023 for the 2019 Series A (AMT) and on October 1, 2025 for the 2019 Series B (Taxable).

The 2019 Bonds are subject to redemption prior to maturity date.

The refunding resulted in a debit difference on refunding of \$690,098 representing the difference between the reacquisition price and carrying amount of the 2013 bonds. As of September 30, 2022, the unamortized balance of the difference in refunding totaled \$287,439, and is included as a component of the deferred differences on refunding of 2019 and 2021 bonds in the accompanying statement of net position.

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Notes to Financial Statements, continued

**4. Long-Term Revenue Bonds Payable, continued**

2021 Bonds

On August 17, 2021, the Authority issued \$143,430,000 General Revenue Bonds (the “2021 Series A Bonds”) which were obtained for the advanced refunding of the Authority’s 2013 Bonds and 2019 Bonds with maturities in FY2022 through FY2044 and in FY2022 through FY2026, respectively.

The aggregate purchase price was \$143,430,000 (the purchase price); representing the principal amount of the 2021 Series A Bonds and less underwriters’ discount of \$1,238,204. Interest on the 2021 Series A Bonds will be payable on April 1 and October 1 of each year. The 2021 Series A Bonds bear interest at rates from 2.5% to 4.5% and mature on October 1, 2031 for the serial bonds and on October 1, 2036 and October 1, 2043 for the term bonds.

The 2021 Bonds are subject to redemption prior to maturity date.

The refunding resulted in a debit difference on refunding of \$14,156,010 representing the difference between the reacquisition price and carrying amount of the 2013 and 2019. As of September 30, 2022, the unamortized balance of the difference in refunding totaled \$12,952,905 and is included as a component of the deferred differences on refunding of 2019 and 2021 bonds in the accompanying statement of net position.

2023 Bonds

On July 11, 2023, the Authority issued \$47,080,000 General Revenue Bonds (the “2023 Series A Bonds”) which were obtained for the advanced refunding of the Authority’s remaining 2013 Bonds with maturities in FY2028 through FY2043.

The aggregate purchase price was \$47,080,000 (the purchase price); representing the principal amount of the 2023 Series A Bonds and less underwriters’ discount of \$361,366. Interest on the 2023 Series A Bonds will be payable on April 1 and October 1 of each year. The 2023 Series A Bonds bear interest at rates from 5% to 5.375% and mature on October 1, 2031 and October 1, 2036 for the serial bonds and on October 1, 2028, October 1, 2033, October 1, 2040 and October 1, 2043 for the term bonds.

The 2023 Bonds are subject to redemption prior to maturity date.

The refunding resulted in a credit difference on refunding of \$425,243 representing the difference between the reacquisition price and carrying amount of the 2013 bonds. As of September 30, 2023, the unamortized balance of the difference in refunding totaled \$425,243 and is included as a component of the deferred differences on refunding of 2013 bonds in the accompanying statements of net position.

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Notes to Financial Statements, continued

**4. Long-Term Revenue Bonds Payable, continued**

The General Revenue Bonds, including interest, are payable from and are secured by a pledge of revenues under the indenture. The bonds are collateralized by a lien upon and pledge of revenues to be received by the Authority, the trustees and the depository. The Authority also engaged the Bond Issuer to secure a financial guaranty insurance policy, guaranteeing the scheduled payment of the principal and interest on the Bonds when due. Neither the payment of the principal on the bonds, nor any interest thereon, is a debt, liability or obligation of the Government of Guam.

The bond indentures include certain debt service and reserve requirements including the requirement that net revenues as defined in the bond indentures plus other available monies be equal to at least 125% of the annual debt service.

**5. Long-Term Loan Payable to Bank**

Long-term loan payable to bank at September 30, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
First Hawaiian Bank, 5.75% interest rate fixed for 10 years, monthly payments of principal and interest in the amount of \$130,625 starting on February 24, 2014, which will amortize the loan over a period of 10 years. The principal balance and all accrued interest will be due and payable on January 23, 2024. The loan is secured by a Security Agreement and a UCC-1 Financing Agreement	\$591,700	\$2,077,985
Less current installments	<u>591,770</u>	<u>1,490,973</u>
	<u>\$ ---</u>	<u>\$ 587,012</u>

This loan is also secured by a Security Agreement and UCC-1 Financing Statement which identify sums in the Subordinate Securities Fund and Capital Improvement Fund as collateral for the loan. Both funds are allocated revenues pursuant to Section 5.02 of the Bond Indenture. Obligations of the Authority payable from the aforementioned funds are subordinate to the pledge and lien of airport revenues to secure payment of the Authority's bonds.

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Notes to Financial Statements, continued

**6. Investments and Cash with Trustees**

At September 30, 2023 and 2022, investments and cash held by the trustees, in trust for the Authority, in these funds and accounts are as follows:

	<u>2023</u>	<u>2022</u>
Operations and Maintenance Reserve Fund	\$ 8,530,887	\$12,030,887
Risk and Loss Management Reserve Fund	6,303,674	5,668,733
General Revenue Fund	2,688,324	4,437,145
Federal Grant Fund	1,687,482	2,214,906
Operations and Maintenance Fund	1,593,655	1,071,468
Capital Improvement Fund	<u>6,848</u>	<u>4,482,746</u>
Total Unrestricted Investments and Cash	<u>20,810,870</u>	<u>29,905,885</u>
Bond Reserve Fund	17,874,104	16,308,958
Debt Service Fund	4,653,464	4,042,177
Renewal and Replacement Fund	1,000,249	1,000,249
Construction Fund	<u>178</u>	<u>171</u>
Total Restricted Investments and Cash	<u>23,527,995</u>	<u>21,351,555</u>
	<u>\$44,338,865</u>	<u>\$51,257,440</u>

At September 30, 2023 and 2022, investments and cash held by trustees are comprised of the following:

	<u>2023</u>	<u>2022</u>
Investments	\$33,491,149	\$42,570,960
Cash	<u>10,847,716</u>	<u>8,686,480</u>
	<u>\$44,338,865</u>	<u>\$51,257,440</u>

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Notes to Financial Statements, continued

**6. Investments and Cash with Trustees, continued**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. In compliance with the bond indenture, the Authority minimized the interest rate risk, by limiting maturity of investments. A majority of the Authority's investment securities have maturities of 5 years or less. This reduces the impact of interest rate movements seen with longer maturity investments.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the Authority. In compliance with the bond indenture, the Authority minimized credit risk losses by limiting investments to the safest types of securities. Bank of Hawaii Investment Services Group, Bank of Guam, BG Investment & Insurance and Coast 360 Federal Credit Union manage the Federal Fund accounts investing in U.S. Treasury Securities, U.S. government – sponsored enterprises, Domestic Corporate Bonds, Money Market Funds and Certificate of Deposits insured by the Federal Deposit Insurance Corporation. The U.S. Treasury Securities are low risk investments as they are guaranteed by the full faith and credit of the U.S. government. While U.S. government – sponsored enterprises are not guaranteed, they are backed by the U.S. government and are recognized as low risk investments as well. In addition, certain funds held with the Bank of Guam-Trustee are invested in Government Obligations Funds through Federated Investments. Funds with co-trustee, U.S. Bank, are invested in First American Treasury Obligations Fund. All investment securities are within the requirements of the 2023, 2021, 2019 and 2013 bond indentures.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Authority will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Based on negotiated trust and custody contracts, all of these investments were held in the Authority's name by the Authority's custodial financial institutions at September 30, 2023 and 2022.

*Investments Measured at Fair Value*

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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Notes to Financial Statements, continued

**6. Investments and Cash with Trustees, continued**

The following tables set forth by fair value hierarchy level the Authority's assets carried at fair value at September 30, 2023 and 2022:

		2023			
		Level 1	Level 2	Level 3	
Investments by fair value level					
Debt securities:					
U.S. Treasury securities	\$ 24,069	\$ 24,069	\$ ---	\$ ---	
Exchange traded products (ETP) - Fidelity Investments	6,235,237	6,235,237	---	---	
Corporate bonds	211,725	---	211,725	---	
Money market funds:					
Fidelity Investments	13,820,140	13,820,140	---	---	
US Bank, NA	3,292,024	3,292,024	---	---	
Federal Farm Credit Bank (FFCB)	314,212	---	314,212	---	
Federal Home Loan Mortgage Corporation (FHLMC)	44,548	---	44,548	---	
Total investments by fair value level	23,941,955	<u>\$ 23,371,470</u>	<u>\$ 570,485</u>	<u>\$ ---</u>	
Investments measured at a cost based measure:					
Guaranteed Investment Contracts (GIC) -					
US Bank, NA	9,549,194				
	<u>\$ 33,491,149</u>				

		2022			
		Level 1	Level 2	Level 3	
Investments by fair value level					
Debt securities:					
U.S. Treasury securities	\$ 181,068	\$ 181,068	\$ ---	\$ ---	
Exchange traded products (ETP) - Fidelity Investments	5,637,525	5,637,525	---	---	
Corporate bonds	1,297,772	---	1,297,772	---	
Money market funds:					
Fidelity Investments	21,132,426	21,132,426	---	---	
US Bank, NA	2,323,315	2,323,315	---	---	
Federal Farm Credit Bank (FFCB)	444,043	---	444,043	---	
Federal Home Loan Mortgage Corporation (FHLMC)	115,376	---	115,376	---	
Total investments by fair value level	31,131,525	<u>\$ 29,274,334</u>	<u>\$ 1,857,191</u>	<u>\$ ---</u>	
Investments measured at a cost based measure:					
Guaranteed Investment Contracts (GIC) -					
US Bank, NA	9,549,194				
Time certificates of deposit (TCD)	1,890,241				
	<u>\$ 42,570,960</u>				

Antonio B. Won Pat International Airport Authority, Guam  
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Notes to Financial Statements, continued

**6. Investments and Cash with Trustees, continued**

The Authority's credit quality distribution for debt securities at September 30, 2023 and 2022 is as follows:

	Standard & Poor's/Moody's Credit Rating	2023	2022
FHLMC	Aaa/AAA	\$ 44,548	\$ 115,376
FFCB	Aaa/AAA	314,212	444,043
Corporate Bonds	Aaa/AAA	88,074	114,652
Corporate Bonds	Aa/AA	---	27,486
Corporate Bonds	A	115,788	821,881
Corporate Bonds	Baa/BBB	7,863	333,753
GIC	Unrated	9,549,194	9,549,194

At September 30, 2023 and 2022, the Authority had the following investments and maturities:

Investment type	2023				
	Total	Less than 1	1 - 5	6 - 10	More than 10
MMF	\$ 17,112,164	\$ 17,112,164	\$ ---	\$ ---	\$ ---
GIC	9,549,194	9,549,194	---	---	---
ETP	6,235,273	6,235,273	---	---	---
TCD	---	---	---	---	---
Corporate bonds	211,725	---	211,725	---	---
FFCB	314,212	72,239	241,973	---	---
U.S. Treasury securities	24,069	---	24,069	---	---
FHLMC	44,548	---	44,548	---	---
	<u>\$ 33,491,185</u>	<u>\$ 32,968,870</u>	<u>\$ 522,315</u>	<u>\$ ---</u>	<u>\$ ---</u>

Investment type	2022				
	Total	Less than 1	1 - 5	6 - 10	More than 10
MMF	\$ 23,455,741	\$ 23,455,741	\$ ---	\$ ---	\$ ---
GIC	9,549,194	---	9,549,194	---	---
ETP	5,637,525	5,637,525	---	---	---
TCD	1,890,241	1,890,241	---	---	---
Corporate bonds	1,297,772	290,716	1,007,056	---	---
FFCB	444,043	---	444,043	---	---
U.S. Treasury securities	181,068	---	181,068	---	---
FHLMC	115,376	---	115,376	---	---
	<u>\$ 42,570,960</u>	<u>\$ 31,274,223</u>	<u>\$ 11,296,737</u>	<u>\$ ---</u>	<u>\$ ---</u>

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Notes to Financial Statements, continued

**7. Employee Benefits**

*General Pension Plan Descriptions*

The Government of Guam Retirement Fund (GGRF or the Fund) administers the Government of Guam Defined Benefit (DB) Plan and the Defined Contribution Retirement System (DCRS) Plan. By statute, the Authority provides pension benefits for its employees through the GGRF.

Defined Benefit Plan (DB Plan)

The DB Plan is a single-employer plan. A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. The GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - [www.ggrf.com](http://www.ggrf.com).

In accordance with Public Law 33-186, the Defined Benefit 1.75 Plan became effective January 1, 2018. Members of the DB 1.75 Plan also automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

The DB Plan is administered by the GGRF, to which the Authority contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan.

*Membership:* Employees of the Authority hired before September 30, 1995 are under the Government of Guam Employees Retirement System, the DB Plan. Until December 31, 1999, and for several limited periods after December 31, 1999, those employees who are members of the defined benefit plan with less than 20 years of service at September 30, 1995, had the option to switch to the DCRS. Otherwise, they remained under the old plan.

The DB 1.75 Plan is open for participation by certain existing employees, new employees and reemployed employees who would otherwise participate in the DCRS and who make election on a voluntary basis to participate in the DB 1.75 plan by December 31, 2017.

*Contributions:* Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and the Authority are established and may be amended by the GGRF.

The Authority's statutory contribution rates were 28.43% and 28.32%, respectively, for the years ended September 30, 2023 and 2022. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2023 and 2022.

*Benefits:* The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater.

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Notes to Financial Statements, continued

**7. Employee Benefits, continued**

*General Pension Plan Descriptions, continued*

Defined Benefit Plan (DB Plan), continued

*Actuarial Assumptions:* The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Valuation of assets:	3-year phase in of gain/losses relative to interest rate assumption.
Investment income:	7.0% per year
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Return of contributions:	100% withdrawing before retirement with less than 20 years of service assumed to elect a return of contributions. All those who have previously withdrawn assumed to elect a return of contributions. Contributions earn 4.5% interest.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed

*Discount Rate:* The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the GGRF's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Notes to Financial Statements, continued

**7. Employee Benefits, continued**

*General Pension Plan Descriptions, continued*

Defined Benefit Plan (DB Plan), continued

*Expected Rate of Return and Asset Allocation:* The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	8.14%	2.12%
U.S. Equities (small cap)	4.0%	9.75%	0.39%
Non-U.S. Equities	17.0%	10.15%	1.73%
Non-U.S. Equities (emerging markets)	3.0%	12.08%	0.36%
U.S. Fixed Income (aggregate)	22.0%	4.77%	1.05%
Risk Parity	8.0%	6.65%	0.53%
High Yield Bonds	8.0%	6.90%	0.55%
Global Real Estate (REITs)	2.5%	9.62%	0.24%
Global Equity	7.0%	8.93%	0.67%
Global Infrastructure	2.5%	8.08%	0.16%
Expected arithmetic mean (1 year)			7.80%
Expected geometric mean (30 years)			7.09%

The investment rate of return assumption of 7.0% is about equal to the geometric mean over 30 years, but lower than the average arithmetic return for one year. The geometric mean is lower than the arithmetic mean due to the expected volatility of investments. If investments fail to achieve the assumed interest rate, future required contributions will increase.

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants

Members of the DB Plan also receive ad hoc cost of living allowance and supplemental annuity benefits that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA/SA Plan for DB Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA/SA Plan for DB Participants. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - [www.ggrf.com](http://www.ggrf.com).

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Notes to Financial Statements, continued

**7. Employee Benefits, continued**

*General Pension Plan Descriptions, continued*

Ad Hoc COLA/Supplemental Annuity (COLA/SA) Plan for DB Participants, continued

*Membership:* The plan membership is the same as the DB Plan described above.

*Benefits:* The supplemental annuity is an amount which, when added to a retiree's annuity increase the annual annuity to \$40,000.

The COLA payment is \$2,200 per DB retiree

*Contribution:* The Authority's contribution to the supplemental annuity portion of the Plan, when added to a retiree's annuity, increases the annual annuity to \$40,000.

The Authority's contribution to the COLA payment of the Plan is \$2,200 and \$2,000 per DB retiree for the years ended September 30, 2023 and 2022, respectively.

*Actuarial Assumptions:* The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	50% of probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

*Discount Rate:* The discount rate used to measure the Ad Hoc COLA/SA was a municipal bond rate of 4.02% and 2.26% for the years ended September 30, 2023 and 2022, respectively. This rate was used as the benefits are not funded with the accumulation of assets; they have been funded historically through appropriations from the Government of Guam.

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Notes to Financial Statements, continued

**7. Employee Benefits, continued**

*General Pension Plan Descriptions, continued*

Ad Hoc COLA Plan for Defined Contribution Retirement System (DCRS) Participants

The DCRS is administered by the GGRF. Members of DCRS receive ad hoc cost of living allowance (COLA) that are appropriated yearly by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. The Ad Hoc COLA Plan for DCRS Participants is a single-employer plan. A single actuarial valuation is performed annually covering all plan members. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the Ad Hoc COLA Plan for DCRS Participants. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website - [www.ggrf.com](http://www.ggrf.com).

*Membership:* Employees hired after September 30, 1995, are members of the DCRS.

*Benefits:* Ad Hoc COLA Plan for DCRS participants are the same as those for DB Participants.

*Contributions:* The Authority's contribution to the COLA payment of the Plan is \$2,200 per DCRS retiree.

*Actuarial Assumptions:* The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2011 through September 30, 2015. A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Actuarial cost method:	Entry age normal
Total payroll growth:	2.75%
Salary increases:	Graduated based on service with the GovGuam ranging from 4.0% for service in excess of 15 years to 7.5% for service from zero to five years.
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females.
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to 74, 100% at age 75.
Mortality:	Based on the RP-2000 combined mortality table, set forward 3 years for males and 2 years for females.
Amortization method:	Level percentage of payroll, closed.

*Discount Rate:* The discount rate is the same as that used in the Ad Hoc COLA/SA Plan for DB Participants.

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Notes to Financial Statements, continued

**7. Employee Benefits, continued**

*Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions*

Net pension liability at the fiscal years presented for the aforementioned plans was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2023	September 30, 2022
Measurement Date:	September 30, 2022	September 30, 2021
Valuation Date:	September 30, 2021	September 30, 2020

Net pension liability as of September 30, 2023 and 2022 for the aforementioned plans is as follows:

	<u>2023</u>	<u>2022</u>
DB Plan	\$39,344,790	\$24,446,987
Ad hoc COLA/SA Plan for DB Participants	2,806,660	3,182,469
Ad hoc COLA Plan for DCRS Participants	<u>1,026,371</u>	<u>1,118,872</u>
	<u>\$43,177,821</u>	<u>\$28,748,328</u>

Proportionate share of net pension liability at September 30, 2023 and 2022 for the aforementioned plans is as follows:

	<u>2023</u>	<u>2022</u>
DB Plan	2.65%	2.54%
Ad hoc COLA/SA Plan for DB Participants	1.09%	1.03%
Ad hoc COLA Plan for DCRS Participants	1.71%	1.59%

Pension expense for the years ended September 30, 2023 and 2022 for the aforementioned plans are as follows:

	<u>2023</u>	<u>2022</u>
DB Plan	\$4,923,175	\$1,375,620
Ad hoc COLA/SA Plan for DB Participants	200,313	342,579
Ad hoc COLA Plan for DCRS Participants	<u>71,751</u>	<u>72,063</u>
	<u>\$5,195,239</u>	<u>\$1,790,262</u>

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Notes to Financial Statements, continued

**7. Employee Benefits, continued**

*Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued*

As of September 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DB Plan		COLA/SA Plan for DB Participants		COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 762,782	\$( 105,211 )	\$ ---	\$( 23,987 )	\$ 126,935	\$( 20,328 )
Net difference between projected and actual earnings on pension plan investments	8,866,964	---	---	---	---	---
Authority contributions subsequent to the measurement date	4,047,008	---	269,310	---	57,200	---
Changes in assumption	---	---	4,581	( 304,544 )	213,412	( 274,929 )
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>813,907</u>	<u>( 75,188 )</u>	<u>175,558</u>	<u>---</u>	<u>108,387</u>	<u>( 253,864 )</u>
	<u>\$ 14,490,661</u>	<u>\$( 180,399 )</u>	<u>\$ 449,449</u>	<u>\$( 328,531 )</u>	<u>\$ 505,934</u>	<u>\$( 549,121 )</u>

As of September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DB Plan		COLA/SA Plan for DB Participants		COLA Plan for DCRS Participants	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,239	\$( 248,573 )	\$ ---	\$( 44,212 )	\$ 123,045	\$( 21,789 )
Net difference between projected and actual earnings on pension plan investments	---	( 2,953,181 )	---	---	---	---
Authority contributions subsequent to the measurement date	3,841,957	---	240,310	---	44,000	---
Changes in assumption	---	---	86,718	( 9,437 )	227,260	( 73,801 )
Changes in proportion and difference between the Authority contributions and proportionate share of contributions	<u>20,962</u>	<u>( 175,085 )</u>	<u>170,256</u>	<u>( 13,627 )</u>	<u>56,575</u>	<u>( 291,426 )</u>
	<u>\$ 3,902,158</u>	<u>\$( 3,376,839 )</u>	<u>\$ 497,284</u>	<u>\$( 67,276 )</u>	<u>\$ 450,880</u>	<u>\$( 387,016 )</u>

Deferred outflows of resources at September 30, 2023 and 2022 resulting from the Authority's employer contributions for the following plans are as follows:

	<u>2023</u>	<u>2022</u>
DB Plan	\$4,047,008	\$3,841,957
Ad hoc COLA/SA Plan for DB Participants	269,310	240,310
Ad hoc COLA Plan for DCRS Participants	<u>57,200</u>	<u>44,000</u>
	<u>\$4,373,518</u>	<u>\$4,126,267</u>

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Notes to Financial Statements, continued

**7. Employee Benefits, continued**

*Pension Liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions, continued*

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

2024	\$ 2,685,041
2025	2,248,201
2026	1,951,500
2027	2,942,595
2028	47,822
Thereafter	<u>139,316</u>
	<u>\$10,014,475</u>

*Sensitivity analysis:* The following presents the net pension liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

DB Plan

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability	<u>\$46,267,279</u>	<u>\$39,344,790</u>	<u>\$30,767,478</u>

Ad Hoc COLA/SA for DB Participants

	1% Decrease <u>3.02%</u>	Current Discount Rate <u>4.02%</u>	1% Increase <u>5.02%</u>
Collective total pension liability	<u>\$3,050,220</u>	<u>\$2,806,660</u>	<u>\$2,591,515</u>

Ad Hoc COLA for DCRS Participants

	1% Decrease <u>3.02%</u>	Current Discount Rate <u>4.02%</u>	1% Increase <u>5.02%</u>
Collective total pension liability	<u>\$1,168,294</u>	<u>\$1,026,371</u>	<u>\$ 919,469</u>

Detailed information about the DB Plan's fiduciary net position is available in the separately issued GGRF financial report. Detailed information about the DB Plan's fiduciary net position is available in the separately issued GGRF financial report.

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Notes to Financial Statements, continued

**7. Employee Benefits, continued**

*DCRS*

The DCRS was created by Public Law 23-42:3 to provide an individual account retirement system for any person who is employed by the Government of Guam. Contributions into the DCRS, by members are based on an automatic deduction of 6.2% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2023 and 2022 is determined using the same rates as the DB plan. Of the amount contributed by the employer, only 6.2% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

During the years ended September 30, 2023 and 2022, contributions made and amounts accrued under the DCRS amounted to \$1,614,519 and \$1,462,221, respectively.

*Accrued Sick Leave*

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. As of September 30, 2023 and 2022, the Authority has accrued an estimated liability of \$254,589 and \$153,848, respectively. However, this amount is an estimate and actual payout could differ from those estimates.

*Other Post-employment benefit (OPEB) Plan*

*OPEB Plan Description*

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF known as the GovGuam Group Health Insurance Program. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration ITC Building Suite 224, 590 South Marine Corps Drive, Tamuning, Guam 96913, or by visiting <https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-opeb-reports/>.

*Membership:* All employees of the Authority who are members of the GGRF are members of the OPEB Plan.

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Notes to Financial Statements, continued

**7. Employee Benefits, continued**

*Other Post-employment benefit (OPEB) Plan, continued*

*OPEB Plan Description, continued*

*Contribution:* The Authority is invoiced a portion of the medical and dental premiums. Retirees are required to pay a portion of the medical and dental insurance premiums.

*Benefits:* GovGuam provides postemployment medical, dental and life insurance benefits to GovGuam retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GovGuam contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees may also pay a portion of the medical and dental insurance premiums, depending on the plan and coverage selected.

*Actuarial Assumptions:* A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.50%
Healthcare cost trend rate:	Non-Medicare and Medicare – 8% for Year 1, then reducing 0.5% annually to an ultimate rate of 4.1%. Part B is at 4.25%. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year. Medical trend rates are applied to claims cost and retiree contributions. The trend rates for Medicare Part B and Part D reimbursements are assumed to be 4.25% per year.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Healthy retiree mortality rates:	Head-count weighted PUB-2010 Table, set forward 4 years and 2 years for males and females, respectively, projected generationally using 50% of MP-2020.
Disabled retiree mortality rates:	PUB-2010 Disabled Retiree Amount Weighted mortality table set forward 4 years and 2 years for males and females, respectively, using 130% of the rates before age 80 and projected generationally from 2010 using 50% of mortality improvement scale MP-2020.

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Notes to Financial Statements, continued

**7. Employee Benefits, continued**

*Other Post-employment benefit (OPEB) Plan, continued*

*OPEB Plan Description, continued*

*Discount Rate:* The discount rate used to measure the total OPEB liability was 4.02% and 2.26% as of September 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, tax-exempt, high quality municipal bond rate at each year was applied respectively to all periods to determine the total OPEB liability.

*OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB*

Total OPEB liability at the fiscal years presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2023	September 30, 2022
Measurement Date:	September 30, 2022	September 30, 2021
Valuation Date:	September 30, 2022	September 30, 2020

Collective total OPEB liability as of September 30, 2023 and 2022 is \$42,349,839 and \$50,781,242, respectively.

Proportionate share of collective total OPEB liability at September 30, 2023 and 2022 is 1.84% and 1.83%, respectively.

OPEB expense for the years ended September 30, 2023 and 2022 is \$748,044 and \$1,637,823, respectively.

As of September 30, 2023 and 2022 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,302,677	\$( 1,947,449 )	\$ 4,425,097	\$( 2,697,407 )
Authority contributions subsequent to the measurement date	651,561	---	529,407	---
Changes in assumptions	3,825,655	( 13,936,037 )	5,928,995	( 7,140,064 )
Authority contributions and proportionate share of contributions	<u>1,844,635</u>	<u>( 8,433,867 )</u>	<u>4,215,097</u>	<u>( 11,497,530 )</u>
	<u>\$ 9,624,528</u>	<u>\$( 24,317,353 )</u>	<u>\$ 15,098,596</u>	<u>\$( 21,335,001 )</u>

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Notes to Financial Statements, continued

**7. Employee Benefits, continued**

*Other Post-employment benefit (OPEB) Plan, continued*

*OPEB Liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB, continued*

Deferred outflows of resources at September 30, 2023 and 2022 resulting from the Authority's employer contributions totaled \$651,561 and \$529,407, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024		\$(3,061,946)
2025		(3,755,385)
2026		(3,710,095)
2027		(1,499,782)
2028		(1,650,339)
Thereafter		<u>(1,666,839)</u>
		<u>\$(15,344,386)</u>

In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease pension OPEB.

*Sensitivity analysis:* The following presents the total OPEB liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	1% Decrease <u>3.02%</u>	Current Discount Rate <u>4.02%</u>	1% Increase <u>5.02%</u>
Collective Total OPEB Liability	<u>\$49,190,495</u>	<u>\$42,349,839</u>	<u>\$36,804,452</u>

The following presents the total OPEB liability calculated using a healthcare cost trend rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Collective Total OPEB Liability	<u>\$ 36,301,975</u>	<u>\$42,349,839</u>	<u>\$50,063,918</u>

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Notes to Financial Statements, continued

**8. Leases**

The Authority, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with exceptions for certain regulated leases and short-term leases. As lessor, the asset underlying the lease is not derecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

The Authority leases certain assets to various third parties. The assets leased include building facilities, land, office space, terminal space for concessions, rental car facilities, advertising, and others. Majority of the lease agreements are a fixed monthly fee and may contain annual or periodic escalation clauses. For some leases, the monthly fee is a percentage of gross revenue, which may vary each month. Additionally, some leases may have a minimum annual guarantee (MAG), that set a certain lease amount regardless of the lessor's sales. Lease terms vary from month-to-month to over 20 years. Majority of the leases have a term of less than 5 years.

*Financial Relief Programs*

The COVID-19 global pandemic continued to impact passenger traffic in FY 2022. As part of GIAA's economic initiatives to encourage the resumption of air traffic, the GIAA worked in collaboration with its airline partners and tenants and approved several financial relief programs throughout FY 2022. Beginning May 1, 2021 through September 30, 2021, the GIAA adopted the Airline Recovery Assistance and Incentivizing Service Program (RAISE) providing incentives to stimulate air passenger service demand from all destinations in the Asia-Pacific Region. The current RAISE Program, effective May 1, 2022 through September 30, 2022, offered a cumulative percentage discount of up to 25% of the operational rates for a minimum of one flight per week, per destination. It applied to all city destinations in the non-U.S., Asia-Pacific region with direct scheduled air service or scheduled on-demand air service to Guam. The discount is based on the Authority's published tariff rates and is limited to airfield use (landing) fee, loading bridge use, immigration inspection, arrival, and departure fees.

Financial relief was also provided for the period of October 1, 2021 to September 30, 2022 for concessionaires whose contract payment terms required the higher of Minimum Annual Guarantees (MAG) or percentage of sales. During the temporary relief period, MAG rents were waived. In lieu of MAG, these tenants were provided terms which instead required the greater of a percentage of gross sales or terminal building rent based on the space they occupied and assessed at the main terminal building rental rate. The MAG relief was extended for concessionaires from October 1, 2022 to July 31, 2023.

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Notes to Financial Statements, continued

**8. Leases, continued**

*Lotte Duty Free Guam, LLC (Lotte)*

The Authority has a lease agreement with Lotte as the primary concessionaire for the airport terminal for a 10-year term. In accordance with the Lotte Agreement, rental income shall be the greater of (1) \$15,160,000 (the MAG) for the main and future retail space, and \$240,000 for the arrivals retail space plus 1% of other gross revenues, or (2) the sum of the on-site gross revenues multiplied by 30.1% for the main and future retail space, and 25% for the additional retail space. The MAG shall be paid monthly in advance in equal installments on the first day of the month. The lease agreement expired on July 20, 2023 and was extended for an additional term of three years which expires on July 20, 2026. During the extended term, Lotte covenants and agrees to pay the Authority the (1) annual concession fee amounting to \$2,640,000 which shall be paid annually in advance on July 21 of each year, and (2) per enplaned passenger fee which is based on the total number of enplaned passengers for the period of July 21, 2023 to July 20, 2026 on a cumulative basis and shall be paid in arrears on a monthly basis.

Lease receivable due for the Lotte Agreement is as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$2,498,145	\$141,855	\$2,640,000
2025	<u>2,568,093</u>	<u>71,907</u>	<u>2,640,000</u>
Total	<u>\$5,066,238</u>	<u>\$213,762</u>	<u>\$5,280,000</u>

*Other Leases*

The Authority has lease agreements with various other airport users and other ground lease agreements. The lease agreements with other concessions and other land or building leases, that are currently under a month-to-month holdover period, were excluded from the future minimum payment schedule.

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Notes to Financial Statements, continued

**8. Leases, continued**

*Other Leases, continued*

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2023 are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$1,835,005	\$ 210,125	\$ 2,045,130
2025	1,718,048	165,426	1,883,474
2026	1,546,885	121,117	1,668,002
2027	594,437	93,432	687,869
2028	333,120	83,860	416,980
2029 - 2033	1,829,735	336,450	2,166,185
2034 - 2038	2,066,096	176,347	2,242,443
2039 - 2041	<u>1,148,352</u>	<u>27,702</u>	<u>1,176,054</u>
	<u>\$11,071,678</u>	<u>\$1,214,459</u>	<u>\$12,286,137</u>

*Regulated Leases*

In accordance with GASB Statement No. 87, Leases, the Authority does not recognize a lease receivable and deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings. For example, the U.S. Department of Transportation and the Federal Aviation Administration (FAA) regulate aviation leases between airports, air carriers, and other aeronautical users. The Authority's regulated leases include airline lease agreements and related airline leases, as well as contracts with Fixed Based Operators (FBOs) and Specialized Aviation Service Operators (SASO), and a jet fuel farm.

Airline Leases

The Authority entered into new Signatory Airline Operating Agreements and Terminal Building Leases (the Airline Operating Agreements) with all Signatory Airlines serving the Airport, effective October 1, 2019. The Airline Lease Agreements for all signatory airlines have an initial term of five years and is set to expire on September 30, 2024. Guam law prohibits government agencies from entering into an agreement for the use of public real property for a term in excess of five years. However, if this law is amended, the Airline Operating Agreement allows for the extension of an additional five years.

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Notes to Financial Statements, continued

**8. Leases, continued**

*Regulated Leases, continued*

Airline Leases, continued

Key provisions in the Airline Operating Agreement include compensatory rate making for the terminal building rental rates and residual rate making for the facilities and systems usage charges. The terminal building rate per square foot is calculated based on allocable costs to the terminal building for each fiscal year divided by the rentable space. Facilities and system usage charges are calculated by dividing the applicable fee requirement by the estimated number of Signatory Airline departing passengers or flights (depending on the fee) of the succeeding fiscal year as projected by the Authority. Any passenger or air cargo carrier that is a Non-Signatory Airline are charged a premium of 40% over the rates and charges applicable to Signatory Airlines.

By definition, the Airline Operating Agreement is considered a regulated lease and does not recognize a receivable and corresponding deferred inflow of resources. The Authority currently has Airline Operating Lease Agreements with 10 carriers. Due to the variable nature of the facilities and system usage charge revenues from year-to-year, expected future minimum payments are indeterminable. Future minimum lease income for the leased space under the Airline Operating Agreements for the year ending September 30, 2024 is \$3,269,047.

Pac Air Properties, LLC (Pac Air)

The Authority entered into a ground lease agreement with Pac Air Properties, LLC (Pac Air) for an initial lease term of 50 years beginning on February 22, 2008, with an option on the part of Pac Air to renew for an additional 10 years. In accordance with the agreement, Pac Air shall make agreed-upon capital improvements at a cost of no less than \$25 million to the leased premises with an area of approximately 540,000 square feet. On the termination or expiration of the lease, capital improvements will be surrendered to the Authority. The lease agreement allowed for Pac Air to defer remittance of lease payments until September 1, 2014 whereupon the deferred rent is to be remitted to the Authority in equal monthly installments over the next 10 years at the same time and under the same conditions as the regular monthly rent payments. The monthly rent will escalate every five years until the end of the lease term. Starting September 1, 2019, monthly rent increased from \$23,850 to \$26,100.

For the years ended September 30, 2023 and 2022 the Authority accrued rental income totaling \$313,200 and is included as a component of rental income in the accompanying statements of revenues, expenses and changes in net position. At September 30, 2023 and 2022, accrued rental receivable totaled \$118,800 and \$248,400, respectively, and is shown as accounts receivable from tenant in the accompanying statements of net position.

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Notes to Financial Statements, continued

**8. Leases, continued**

*Regulated Leases, continued*

Pac Air Properties, LLC (Pac Air), continued

Future minimum lease income under the aforementioned Pac Air lease agreement is as follows:

Year ending <u>September 30,</u>	
2024	\$ 315,900
2025	345,600
2026	345,600
2027	345,600
2028	345,600
2029 - 2033	1,860,300
2034 - 2038	2,044,350
2039 - 2043	2,255,400
2044 - 2048	2,493,450
2048 - 2053	2,736,450
2054 - 2058	3,001,500
2059	<u>559,350</u>
Total future minimum lease income	<u>\$16,649,100</u>

The Authority has a lease-back agreement, expiring in 2025, with Pac Air to lease a total of 25,000 square feet of space in the completed facility on the leased premises. The Authority has an additional lease of 7,500 square feet of space that was terminated on January 31, 2023.

Rent expense for the years ended September 30, 2023 and 2022 totaled \$865,500 and \$955,500, respectively, and is included under contractual services in the accompanying statements of revenues, expenses and changes in net position.

Future minimal rent expense arising from the Pac Air lease-back agreement is as follows:

Year ending <u>September 30,</u>	
2024	\$ 820,500
2025	<u>820,500</u>
Total future minimum lease expense	<u>\$1,641,000</u>

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Notes to Financial Statements, continued

**8. Leases, continued**

*Regulated Leases, continued*

Pac Air Properties, LLC (Pac Air), continued

The Authority has a sublease agreement with the Government of Guam’s Customs and Quarantine Agency (GovGuam CQA) to lease the aforementioned 25,000 square feet of rental space for an annual rental of \$780,000. Rental income for the years ended September 30, 2023 and 2022 totaled \$780,000 and is included under rental income in the accompanying statements of revenues, expenses and changes in net position.

Future minimum sublease income from GovGuam CQA is as follows:

Year ending <u>September 30,</u>	
2024	\$ 780,000
2025	<u>780,000</u>
Total future minimum lease income	<u>\$1,560,000</u>

Expected future minimum lease payments from other regulated leases not listed above related to land and buildings for aeronautical purposes at September 30, 2023 are as follows:

Year ending <u>September 30,</u>	
2024	\$1,488,921
2025	423,361
2026	238,149
2027	238,149
2028	238,149
2029 - 2033	1,025,772
2034 - 2038	858,768
2039	<u>139,558</u>
Total future minimum lease income	<u>\$4,650,827</u>

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Notes to Financial Statements, continued

**9. Long-Term Liabilities**

A summary of changes in long-term liabilities during fiscal years 2023 and 2022 is as follows:

	Outstanding October 1, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2023</u>	<u>Current</u>	<u>Non-current</u>
Accrued sick leave	\$ 153,848	\$ 100,741	\$ ---	\$ 254,589	\$ ---	\$ 254,589
Accrued annual leave	1,878,381	1,213,292	1,179,101	1,912,572	470,239	1,442,333
Loan payable to Bank	2,077,985	---	1,486,215	591,770	591,770	---
Net pension liability	28,748,328	14,429,493	---	43,177,821	---	43,177,821
Collective total other postemployment benefit liability	50,781,242	---	8,431,403	42,349,839	---	42,349,839
General revenue bonds	<u>191,280,700</u>	<u>47,080,000</u>	<u>43,925,243</u>	<u>194,435,457</u>	<u>---</u>	<u>194,435,457</u>
	<u>\$274,920,484</u>	<u>\$62,823,526</u>	<u>\$55,021,962</u>	<u>\$282,722,048</u>	<u>\$1,062,009</u>	<u>\$281,660,039</u>
	Outstanding October 1, <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding September 30, <u>2022</u>	<u>Current</u>	<u>Non-current</u>
Accrued sick leave	\$ 180,477	\$ ---	\$ 26,629	\$ 153,848	\$ ---	\$ 153,848
Accrued annual leave	1,656,699	1,207,363	985,681	1,878,381	486,492	1,391,889
Loan payable to bank	3,479,080	---	1,401,095	2,077,985	1,490,973	587,012
Net pension liability	36,164,090	---	7,415,762	28,748,328	---	28,748,328
Collective total other postemployment benefit liability	45,366,213	5,415,029	---	50,781,242	---	50,781,242
General revenue bonds	<u>191,280,700</u>	<u>---</u>	<u>---</u>	<u>191,280,700</u>	<u>---</u>	<u>191,280,700</u>
	<u>\$278,127,259</u>	<u>\$6,622,392</u>	<u>\$9,829,167</u>	<u>\$274,920,484</u>	<u>\$1,977,465</u>	<u>\$272,943,019</u>

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Notes to Financial Statements, continued

**10. Commitments and Contingencies**

*Environmental Response Actions*

In September 2000, the Navy transferred 1,417 acres of property to the Authority and Government of Guam. In fiscal year 2001, the Navy paid the Authority \$10,000,000 as a lump sum but not in accordance to the payment provisions of the Quitclaim Deed from the Navy. In exchange for the payment, the Authority and the Government of Guam assumed obligations for specific environmental response actions addressing groundwater contamination even if the cost of the response actions exceeds the \$10 million received from the Navy. The Authority's management had assisted in preparing a Decision Document (DD) for Operable Unit 3 (OU3) which is the groundwater located under the former Naval Air Station. The DD presents the selected remedy for OU3, which calls for extraction and treatment at Well NAS- 1 and future wells, if necessary, and natural attenuation. The DD identifies the Navy as the lead agency for the cleanup with support agencies that include the Authority, Guam Environmental Protection Agency (GEPA) and the US EPA. The Navy, the Authority and GEPA have executed the DD.

The Authority's responsibilities under the Remedial Action are limited to groundwater sampling and testing as currently performed. In the near future, the ongoing sampling and testing requirements will be reduced or completely eliminated. A specific request to this effect is pending GEPA. The granular activated carbon (GAC) treatment provided under the Authority's new water system satisfies the GAC treatment component of future wells meeting the selected remedy. No further obligation of the Authority is required under the DD.

The long-term obligation to operate and maintain the facilities built under the remedial construction as well as the required sampling will be handled through a water system commercial agreement. As of September 30, 2014, the Authority estimated, based upon a weighted average probability of future cash outflows, that its pollution remediation obligations as called for under GASB No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations totaled \$800,929. At September 30, 2023 and 2022, future pollution remediation and monitoring costs totaling \$55,996 and \$130,249, respectively, is reflected as a component of other current liabilities in the accompanying statements of net position.

*Federal Program Costs*

The Authority receives, on a reimbursement basis, grants from the U.S. Government for certain capital construction projects. The Authority also receives grants from other sources. These grants are subject to financial and compliance audits to ascertain whether federal laws and regulations have been followed.

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Notes to Financial Statements, continued

**10. Commitments and Contingencies, continued**

*Commitments*

The Authority has commitments totaling approximately \$7.6 million and \$13 million under several construction contracts at September 30, 2023 and 2022, respectively.

In addition, the Authority has commitments under other various contracts totaling approximately \$8.6 million and \$10.1 million at September 30, 2023 and 2022, respectively.

*Insurance*

The Authority has adopted a policy of self-insuring its facilities for earthquake and typhoon damage. The Authority also maintains a deposit of \$1 million in the Renewal and Replacement Fund which will be combined with funds in the Risk and Loss Management Reserve Fund to cover damage in the event of a natural catastrophe. As of September 30, 2023, the balances in the Renewal and Replacement Fund and Risk and Loss Management Reserve Fund are \$1 million and \$6.3 million, respectively. As of September 30, 2022, the balances in the Renewal and Replacement Fund and Risk and Loss Management Reserve Fund are \$1 million and \$5.8 million, respectively. The Authority has a catastrophic insurance policy with coverage up to \$5 million as a supplement to the self-insurance.

*Government of Guam General Fund*

Pursuant to 5 GCA Chapter 22 § 22421 *Transfer of Autonomous Agency Revenues to Autonomous Agencies Collections Fund*, certain autonomous agencies, to include the Authority, are to remit certain amounts to the Government of Guam General Fund at the end of each fiscal year.

Notwithstanding the requirements of 5 G.C.A. § 22421, the Authority is prohibited by its Bond Indentures and federal law from transferring any funds from its operating surplus to the General Fund. Any diversion of the Authority's revenues under any formula will place the Authority in breach of the Bond Indentures and will jeopardize ongoing and future federal funding, possibly even subjecting the Authority to millions of dollars in federal civil penalties. Accordingly, the Authority cannot transfer any of its revenues to the General Fund as directed by 5 G.C.A. § 22421 and no liability has been recorded for this contingency as of September 30, 2023 and 2022. This position has been supported by legal determinations, past and present.

During the years ended September 30, 2023 and 2022, there was no substantive progress of discussions with the Executive and Legislative branches to repeal 5 GCA § 22421 or on the issue of the Government of Guam assessment.

The Authority recognizes that it is an instrumentality of the Government of Guam. The Authority may reimburse the Government of Guam for costs of services and contributions provided to the Authority subject to the standards of documentation as required by the FAA's Policy and Procedures Concerning the Use of Airport Revenue.

Antonio B. Won Pat International Airport Authority, Guam  
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Notes to Financial Statements, continued

**10. Commitments and Contingencies, continued**

*Water System Infrastructure Upgrade*

The new airport water system was commissioned and made operational in phases during 2012.

Concurrent with the commissioning of the new airport water system, the Authority entered into an interim agreement with Guam Waterworks Authority (GWA) to operate and maintain the water system for a minimum of one year. GWA's system rates will be status quo during the interim period. To date, the agreement is in a holdover period.

A new water system commercial agreement is being negotiated between the Authority and GWA to account for operational and maintenance omissions and deficiencies and to improve repair and replacement procedures. The new agreement is expected to be executed during 2024/2025. Other matters include real estate issues that will allow GWA the ability to expand the capacity of the water reservoirs. The Authority expects to approve GWA's proposal expansion. Additional issues include GWA servicing of the former Naval officers housing occupants and the disposition of aged water lines within the airfield. Personnel changes for both parties as well as restrictions imposed from the pandemic have delayed negotiations and further impacted by Typhoon Mawar.

*Litigation*

The Authority is involved in certain litigation inherent to its operations. The Authority intends to vigorously defend its position and management is of the opinion that liabilities of a material nature will not be realized.

*DFS Guam L.P. Specialty Retail Protest Litigation*

This matter involves three actions, which have been consolidated, relating to three protests lodged by DFS Guam L.P. ("DFS") relating to the Specialty Retail Concession RFP ("2012 RFP"), and denied by the Authority. Summary judgment motions were filed by the Authority and DFS. On February 2, 2018, in four separate Decisions and Orders, the court denied the Authority's motions and granted DFS's motion (the "February 2 Orders"). In its Decision and Order on DFS's motion ("DFS MSJ Order") and subsequent Judgment filed on February 5, 2018 ("February 5 Judgment"), the court voided the 2012 RFP and voided and set aside the May 18, 2013 Specialty Retail Concession Agreement ("Lotte Agreement") between the Authority and Lotte Duty Free Guam, LLC ("Lotte"). In addition, in the DFS MSJ Order, the court ordered the Authority to comply with the Guam Procurement Code and the Authority's enabling legislation if it wished to issue another specialty retail procurement; found that it is in the best interests of the public for Lotte to remain as the specialty retail concessionaire; and ordered the Authority to abide by the terms of the Lotte Agreement. The court also denied DFS's request for costs.

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Notes to Financial Statements, continued

**10. Commitments and Contingencies, continued**

*DFS Guam L.P. Specialty Retail Protest Litigation, continued*

On July 16, 2018, the Court amended its DFS MSJ Order (the “Amended Order”) and issued an Amended Judgment (the “Amended Judgment”) voiding the 2012 RFP and voiding and setting aside the Lotte Agreement. The Court also stayed enforcement of the Amended Judgment pending the Authority’s appeal.

The Authority appealed the Amended Judgment to the Guam Supreme Court, and DFS filed a cross-appeal. On August 11, 2020, the Guam Supreme Court vacated the Amended Judgment, and on December 7, issued an order granting GIAA’s petition for rehearing in part and also issued an Amended Opinion on Rehearing and an Amended Judgment. Because the Amended Judgment is now vacated, the specialty retail concession contract between GIAA and Lotte remains valid and enforceable.

On July 20, 2023, the Authority filed a Motion to Dismiss for Lack of Subject Matter Jurisdiction based on the July 18, 2023 Written Determination by the Executive Manager pursuant to Guam Procurement Law, rendering any disputes relating to the Lotte Agreement, moot. On July 31, 2023, the court denied the Authority’s motion to dismiss and ordered that Phase 1 of the trial commence on August 2, 2023, where the parties presented evidence and testimony only on the timeliness of DFS’s protests. Phase 1 concluded on August 8, 2023.

The Authority sought interlocutory review of the Superior Court’s denial of the Motion to Dismiss for Lack of Subject Matter Jurisdiction, which the Supreme Court declined to review on January 3, 2024.

On February 6, 2024, the Superior Court issued its Findings of Facts and Conclusions of Law concluding that all six (6) of DFS’s claims at issue were timely filed under 5 GCA § 5425(a); and because DFS’s claims were timely filed and prior to the date of the contract award to Lotte, the claims are pre-award, which, if upheld, means an automatic stay was in place until the final resolution of this action by the Court.

The Superior Court ordered a Phase-II trial to determine the merits. Following orders of the Court, on February 23, 2024, the parties submitted a Joint Report Re: Phase II, and a status conference is scheduled for March 8, 2024. The Court indicated its availability for the Phase-II trial in mid-August or September with trial likely in September. Despite the Court’s findings in the Phase-I trial, GIAA will continue to vigorously defend the specialty retail concession contract through the Phase-II trial and any subsequent appeal. GIAA will also explore any other potential remedies under the Procurement law as well as any legislative efforts.

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Notes to Financial Statements, continued

**10. Commitments and Contingencies, continued**

*DFS Guam L.P. Specialty Retail Protest Litigation, continued*

In the *Specialty Retail Protest Litigation* against the Authority relating to the 2012 RFP, Lotte was also a named defendant. On September 1, 2015, the Court granted in part a motion to dismiss brought by Lotte. The Court dismissed DFS's Third, Sixth, Ninth, Twelfth, Fifteenth and Seventeenth causes of action brought under the Procurement Law against Lotte. The Court denied dismissal of DFS's tort claim against Lotte and severed that claim into a separate action, CV0943-14-01 and CV0094-15-01 (the "Tort Action"). On April 18, 2023, DFS filed a request for status conference to address matters of scheduling in case management. The Court has not yet responded to DFS' request.

The Authority is not a party to the Tort Action, but DFS has raised allegations with respect to the Authority and requested relief for permanent injunction prohibiting Lotte from taking any action under the Lotte Agreement with the Authority and prohibiting Lotte from submitting proposals for future RFPs. The Authority is monitoring these proceedings and currently considering various options, to the extent necessary, with regard to the Tort Action.

*DFS Guam L.P. (DFS) Holdover Dispute*

The Authority and DFS are involved in ongoing disputes related to DFS's concession agreement with the Authority that expired in 2013. To recover damages caused by DFS's holdover under the DFS concession agreement, the Authority drew down \$2.1 million on DFS's security deposit in the form of an undivided letter of credit that DFS had provided to secure against breaches of its three concession agreements.

In 2014, DFS initiated the arbitration. In 2016, the arbitration panel awarded DFS \$1.9 million in damages plus interest, costs, and attorney's fees. DFS also filed a separate action arising from this dispute pursuant to the Guam Government Claims Act, in which both parties have filed claims and counterclaims against each other alleging various breaches of contract. In October 2018, the Authority moved to dismiss this action for failure to prosecute, which is still pending before the Superior Court.

In December 2018, the Superior Court confirmed the arbitration award ("Confirmation Order"), which the Authority appealed. In January 2019, DFS demanded that the Authority immediately pay \$2,237,522 due under the arbitration award plus interest to date. DFS also filed a motion seeking \$240,000 in attorney fees and costs related to post-arbitral proceedings.

In February 2020, the Authority filed a motion to reverse the Confirmation Order and vacate the arbitration award based on two recent opinions by the Supreme Court of Guam that were issued after the Confirmation Order.

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Notes to Financial Statements, continued

**10. Commitments and Contingencies, continued**

*DFS Guam L.P. (DFS) Holdover Dispute, continued*

On September 9, 2021, the Superior Court filed a decision and order denying GIAA's motion and granting DFS's motion to correct an error in the Confirmation Order. Based on the decision and order, the Superior Court filed an Amended Judgment on the same day, which GIAA appealed. On September 30, 2021, GIAA filed a motion in the Superior Court to stay enforcement of the Amended Judgment, which GIAA is entitled to as a matter of right as a governmental entity. DFS opposed the motion. GIAA's motion to stay enforcement is still pending before the Superior Court.

On August 7, 2023, the Guam Supreme Court issued an opinion affirming the Confirmation Order. The Supreme Court remanded the case to the Superior Court for a determination of the amount of reasonable attorney's fees incurred by DFS in the litigation and interest due. Under the arbitration award and Supreme Court's opinion, GIAA is liable for: (i) \$1,854,528 in damages; (ii) Interest of 6% on (i) from December 5, 2013 until paid in full; (iii) Reasonable attorney's fees of \$388,223; (iv) \$84,770 in costs; (v) Interest of 6% on (iii) until paid in full; and (vi) Reasonable attorney's fees incurred by DFS in the litigation.

DFS also has a pending motion for additional attorney's fees before the Superior Court in the amount of \$852,207 and costs of \$22,009 plus interest of 6% which DFS has calculated as \$144 per day. This motion has not been heard.

Judgment was entered on August 7, 2023, and DFS filed a Writ of Execution on October 6, 2023. On September 22, 2023, GIAA filed a motion to stay enforcement of the judgment pending the outcome of the DFS Government Claims lawsuit.

On September 22, 2023, GIAA filed a motion for summary judgment in the DFS Government Claim lawsuit. DFS opposed the motion and the motion has been fully briefed. However, both the September 22, 2023 motion to stay and September 22, 2023 motion for summary judgment remain pending and have not yet been heard by the Court. As of December 2023, GIAA has paid \$2,988,237 towards the judgment. The Court has set a status conference for April 5, 2024.

The Authority has recorded a provision for loss amounting to approximately \$4.7 and \$3.1 million as of September 30, 2023 and 2022, respectively, as a component of other current liabilities.

*Exchange License Agreement*

On April 5, 2012, the Authority and Core Tech International (Core Tech), entered into an exchange license agreement for a term of thirty years. The agreement calls for the Authority to allow Core Tech the right to use several dilapidated buildings owned by the Authority and in exchange, Core Tech allowed the Airport the use of Core Tech property on which the Authority had inadvertently encroached and made improvements on it in prior years. The license agreement stipulates that no rent will be charged to either party during the thirty-year term of the agreement.

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Notes to Financial Statements, continued

**10. Commitments and Contingencies, continued**

*Exchange License Agreement, continued*

In lieu of receipt of back rentals and future rentals for use of the encroached property, Core Tech accepted, in exchange, the use of the Authority's three buildings that were in a state of disrepair and had environmental concerns. The agreement requires Core Tech to make repairs and mitigate all environmental issues over the buildings.

At the time the exchange license agreement was entered into, the fair market values of the assets involved by the parties were not determinable.

*Other*

In December of 2012, the Department of Administration paid out merit bonuses for line agency employees who met the criteria set forth pursuant to 4 GCA Chapter 6 § 6203. Merit bonuses are to be paid to employees who receive a superior rating evaluation conducted for increment purposes. The Authority is currently conducting its due diligence to determine its obligation to pay out merit bonuses. At September 30, 2013, the Authority has accrued about \$1.5 million as an estimate of costs to pay bonuses for the airport employees. In addition, the Authority has accrued about \$681,000 as costs for the last incremental 10% salary increase for Airport Rescue Firefighters and Airport Police uniformed personnel pursuant to Public Law 29-105. This payment is for fiscal years 2012 and 2013. At September 30, 2023 and 2022, \$248,000 remained as unpaid obligation for inactive employees.

**11. Customs, Agriculture and Quarantine Inspection Services Charge**

During the years ended September 30, 2023 and 2022, the Authority has assessed and collected from air carrier fees for customs and agricultural inspection services rendered at the Airport terminal. 5 GCA Chapter 73 §73145-51 requires the Authority to remit all collections, within five days of receipt, to the Treasurer of Guam for deposit to the Customs, Agriculture and Quarantine Inspection Services Fund.

For the years ended September 30, 2023 and 2022, fees assessed to air carriers related to the aforementioned arrangement totaled approximately \$6.0 million and \$2.6 million, respectively. For the years ended September 30, 2023 and 2022, the remittances to the Treasurer of Guam related to the aforementioned arrangement totaled approximately \$1.6 million and \$201 thousand, respectively. The Authority also offset approximately \$3.7 million and \$1.7 million, respectively, of customs fee payable with amounts owed from GovGuam CQA for its various lease agreements with the Authority.

At September 30, 2023 and 2022, the Authority recorded customs fees payable to the Treasurer of Guam totaling \$1,532,095 and \$967,035, respectively, for the above charges, of which \$1,231,494 and \$966,439, respectively is reflected as customs fees, receivables in the accompanying statements of net position. The fees are not reflected as an expense or revenue by the Authority.

## Required Supplementary Information

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Schedule 1  
Required Supplementary Information  
Schedule of the Authority's Proportionate Share of Net Pension Liability

Defined Benefit Plan  
(Unaudited)

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	2.65%	2.54%	2.56%	2.56%	2.54%	2.46%	2.45%	2.35%	2.45%	2.32%
Authority's proportionate share of the net pension liability	\$ 39,344,790	\$ 24,446,987	\$ 31,875,010	\$ 31,118,382	\$ 29,987,434	\$ 28,053,913	\$ 33,532,175	\$ 32,241,435	\$ 30,570,481	\$ 30,256,332
Authority's covered payroll	\$ 15,234,917	\$ 14,070,098	\$ 15,172,534	\$ 13,286,188	\$ 13,099,014	\$ 13,253,631	\$ 13,107,529	\$ 13,353,696	\$ 12,788,348	\$ 12,883,180
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	258.25%	173.75%	210.08%	234.22%	228.93%	211.67%	255.82%	241.44%	239.05%	234.85%
Plan fiduciary net position as a percentage of total pension liability	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Schedule 2  
Required Supplementary Information  
Schedule of the Authority's Contributions

Defined Benefit Plan  
(Unaudited)

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 4,047,008	\$ 3,841,957	\$ 3,521,603	\$ 3,390,951	\$ 3,106,326	\$ 2,242,956	\$ 2,966,912	\$ 3,060,666	\$ 3,178,277	\$ 3,297,500
Contribution in relation to the contractually required contribution	<u>4,047,008</u>	<u>3,841,957</u>	<u>3,521,603</u>	<u>3,390,951</u>	<u>3,106,326</u>	<u>2,242,956</u>	<u>2,966,912</u>	<u>3,060,666</u>	<u>3,178,277</u>	<u>3,297,500</u>
Contribution excess	<u>\$ ---</u>									
Authority's covered payroll	\$ 15,638,873	\$ 15,234,917	\$ 14,070,098	\$ 14,926,162	\$ 13,417,930	\$ 13,099,014	\$ 13,253,631	\$ 13,107,529	\$ 13,353,696	\$ 12,788,348
Contribution as a percentage of the Authority's covered payroll	25.88%	25.22%	25.03%	22.72%	23.15%	17.12%	22.39%	23.35%	23.80%	25.79%

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Schedule 3  
Required Supplementary Information  
Schedule of the Authority's Proportionate Share of Collective Total Pension Liability

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants  
(Unaudited)

Last 10 Fiscal Years\*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportionate share of the collective total pension liability	2,806,660	3,182,469	3,178,724	2,950,852	2,785,670	\$ 2,698,911	\$ 2,086,977	\$ 2,034,619
Authority's proportion of the collective total pension liability	1.09%	0.99%	0.99%	0.91%	0.96%	0.94%	0.91%	0.86%

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Schedule 4  
Required Supplementary Information  
Schedule of the Authority's Contributions

Ad Hoc COLA/Supplemental Annuity Plan for DB Participants  
(Unaudited)

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 269,310	\$ 240,309	\$ 234,509	\$ 234,947	\$ 215,570	\$ 226,046	\$ 224,018	\$ 218,041	\$ 214,041	\$ 198,678
Contribution in relation to the contractually required contribution	<u>269,310</u>	<u>240,309</u>	<u>234,509</u>	<u>234,947</u>	<u>215,570</u>	<u>226,046</u>	<u>224,018</u>	<u>218,041</u>	<u>214,041</u>	<u>198,678</u>
Contribution excess	<u>\$ ---</u>									

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Schedule 5  
Required Supplementary Information  
Schedule of the Authority's Proportionate Share of Collective Total Pension Liability

Ad Hoc COLA Plan for DCRS Participants  
(Unaudited)

Last 10 Fiscal Years\*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportionate share of the net pension liability	\$ 1,026,371	\$ 1,118,872	\$ 1,110,356	\$ 1,234,060	\$ 1,053,200	\$ 1,365,758	\$ 1,301,894	\$ 1,043,706
Authority's proportion of the net pension liability	1.71%	1.59%	1.67%	2.06%	2.13%	2.19%	2.11%	2.00%

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Schedule 6  
Required Supplementary Information  
Schedule of the Authority's Contributions

Ad Hoc COLA Plan for DCRS Participants  
(Unaudited)

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 4,047,008	\$ 3,841,957	\$ 3,521,603	\$ 3,390,951	\$ 3,106,326	\$ 2,242,956	\$ 2,966,912	\$ 3,060,666	\$ 3,178,277	\$ 3,297,500
Contribution in relation to the contractually required contribution	<u>4,047,008</u>	<u>3,841,957</u>	<u>3,521,603</u>	<u>3,390,951</u>	<u>3,106,326</u>	<u>2,242,956</u>	<u>2,966,912</u>	<u>3,060,666</u>	<u>3,178,277</u>	<u>3,297,500</u>
Contribution excess	<u>\$ ---</u>									
Authority's covered-employee payroll	\$ 15,638,873	\$ 15,234,917	\$ 14,070,098	\$ 14,926,162	\$ 13,417,930	\$ 13,099,014	\$ 13,253,631	\$ 13,107,529	\$ 13,353,696	\$ 12,788,348
Contribution as a percentage of the Authority's covered-employee payroll	25.88%	25.22%	25.03%	22.72%	23.15%	17.12%	22.39%	23.35%	23.80%	25.79%

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Schedule 7  
Required Supplementary Information  
Schedule of the Authority's Proportionate Share of Collective Total Other Postemployment Benefit Liability  
(Unaudited)

Last 10 Fiscal Years\*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's proportion of the total collective other postemployment benefit liability	1.84%	1.83%	1.80%	2.48%	2.40%	1.92%	1.91%
Authority's proportionate share of the collective total other postemployment benefit liability	\$ 42,349,839	\$ 50,781,242	\$ 45,366,213	\$ 63,444,611	\$ 45,048,838	\$ 46,614,484	\$ 48,343,156

\*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Schedule 8  
Required Supplementary Information  
Schedule of the Authority's Contributions

Other Postemployment Benefit Plan  
(Unaudited)

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 651,561	\$ 529,407	\$ 463,603	\$ 515,865	\$ 502,180	\$ 440,077	\$ 445,487	\$ 408,841	\$ 362,761	\$ 256,563
Contribution in relation to the contractually required contribution	<u>651,561</u>	<u>529,407</u>	<u>463,603</u>	<u>515,865</u>	<u>502,180</u>	<u>440,077</u>	<u>445,487</u>	<u>408,841</u>	<u>362,761</u>	<u>256,563</u>
Contribution excess	<u>\$ ---</u>									

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Note to Required Supplementary Information  
(Unaudited)

*Changes of Assumptions – Pension Plans*

Amounts reported in 2022 actuarial valuation reflected an assumption related to administrative expenses remained at \$6,565,000 per year.

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of the expectations of salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change in assumption on valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

## Supplementary and Other Information

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Years Ended September 30, 2023 and 2022

Schedule 9  
Facilities and Systems Usage Charges

	<u>2023</u>	<u>2022</u>
Landing fees	\$ 8,375,059	\$ 2,797,423
Departure fees	4,995,719	2,304,411
Arrival fees	3,440,035	1,432,759
Passenger loading bridge usage charge	3,253,855	1,402,017
Immigration fees	1,346,089	455,453
Public apron fees	1,187,753	1,024,902
Utility recovery charge and other fees	824,646	700,154
Fuel flowage fees	379,300	242,143
Common use departure fees	<u>203,435</u>	<u>183,371</u>
	<u>\$ 24,005,891</u>	<u>\$ 10,542,633</u>

Schedule 10  
Rental Income

	<u>2023</u>	<u>2022</u>
Operating space:		
- Non-airline	\$ 3,913,154	\$ 3,637,639
- Airline	1,995,263	1,904,161
Building and maintenance shop rentals	1,801,565	1,808,282
Other	1,701,461	1,767,940
GASB 87 Implementation	1,306,506	( 3,321 )
Cargo rentals	<u>291,133</u>	<u>287,439</u>
	<u>\$ 11,009,082</u>	<u>\$ 9,402,140</u>

Schedule 11  
Concession Fees

	<u>2023</u>	<u>2022</u>
General merchandise	\$ 6,641,732	\$ 5,527,149
Car rental	1,408,629	856,535
Ground transportation	1,129,610	407,880
Food and beverage	772,627	400,001
In-flight catering	682,747	393,306
Advertising	208,284	141,638
Parking lot	199,598	120,882
Other	181,067	168,519
Money exchange	33,501	( 50,100 )
GASB 87 implementation	<u>( 8,043,292 )</u>	<u>4,771,520</u>
	<u>\$ 3,214,503</u>	<u>\$ 12,737,330</u>

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Years Ended September 30, 2023 and 2022

Schedule 12  
Contractual Services

	2023	2022
Power	\$ 8,531,528	\$ 6,760,823
Repairs and maintenance	5,279,116	4,671,161
Professional services	4,435,726	4,130,711
Miscellaneous	2,924,763	1,550,084
Insurance	1,352,792	1,170,383
Advertising and promotions	466,689	189,101
Utilities and telephone	398,320	306,907
Travel/training and certifications	172,511	187,942
	\$ 23,561,445	\$ 18,967,112

Schedule 13  
Personnel Services

Salaries and wages	\$ 15,570,947	\$ 15,470,551
Retirement contributions	5,188,093	2,087,475
Insurance	1,482,444	1,349,252
	\$ 22,241,484	\$ 18,907,278
Full-time employee count in September	222	235

Schedule 14  
Materials and Supplies

Equipment and vehicle maintenance and supplies	\$ 506,003	\$ 445,656
Office and security supplies	215,529	223,739
Electrical and plumbing	197,659	248,718
Miscellaneous	126,413	272,735
Building maintenance and supplies	120,593	109,283
	\$ 1,166,197	\$ 1,300,131

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Years Ended September 30, 2023 and 2022

Schedule 15  
Insurance Coverage

Name of Insurer	Policy	Risk Coverage
AIG/National Union Fire Insurance Company of Pittsburg, Pa.	Airport Operations Liability	\$ 500,000,000
AIG/National Union Fire Insurance Company of Pittsburg, Pa.	Property Insurance	\$ 200,000,000
AIG/National Union Fire Insurance Company of Pittsburg, Pa.	Catastrophe Insurance	\$ 5,000,000
Dongbu Insurance Co., Ltd Seoul, Korea	Directors & Officers Liability (Sublimit of \$1,000,000 for Employment Practices Liability)	\$ 4,000,000
Dongbu Insurance Co., Ltd Seoul, Korea	Automobile	\$ 2,000,000
Tokio Marine Pacific Insurance Limited	Worker's Compensation	\$ 1,000,000
Dongbu Insurance Co., Ltd Seoul, Korea	Crime Insurance	\$ 1,000,000

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Years Ended September 30, 2023 and 2022

Schedule 16  
Debt Service Ratio Computation

	<u>2023</u>	<u>2022</u>
Net Revenues		
Revenues:		
Operating revenues	\$ 40,190,920	\$ 33,190,608
Non-Operating Revenues: Passenger Facility Charges	3,281,933	1,349,348
Non-Operating Revenues: Interest Income	1,351,070	818,954
Non-Operating Revenues: Interest on Leases	154,121	131,998
Non-Operating Revenues: Federal Operating Grants	2,071,462	24,206,136
Non-Operating Revenues: Aviation Fuel Tax	6,782,872	---
Federal Capital Grants	6,467,389	23,498,637
Deductions:		
Interest Income from CIF*	( 50,972 )	( 62,970 )
Federal Capital Grants	( 6,467,389 )	( 23,498,637 )
Operation and Maintenance Expenses	( 46,969,126 )	( 39,174,521 )
Miscellaneous Expenses	( 2,025,991 )	( 1,911,178 )
Other Bookkeeping Entries: GASB 87	6,582,665	( 4,900,192 )
Other Bookkeeping Entries: Noncash Pension Cost	5,195,239	1,790,262
Other Bookkeeping Entries: Noncash OPEB Cost	748,044	1,637,823
Actual Contribution to GGRF	( 4,373,518 )	( 4,251,331 )
Actual Contribution to DOA	( 651,561 )	( 529,407 )
Net Revenues	<u>\$ 12,287,158</u>	<u>\$ 12,295,530</u>
Other Available Monies (lesser of amount in CIF or 25% of debt service fund)		
CIF	<u>\$ 6,847</u>	<u>\$ 4,482,747</u>
25% of Debt Service	<u>\$ 1,816,214</u>	<u>\$ 2,018,555</u>
	<u>\$ 6,847</u>	<u>\$ 2,018,555</u>
Aggregate Annual Debt Service		
Sum of interest due during the year	<u>\$ 7,264,857</u>	<u>\$ 8,074,221</u>
	<u>\$ 7,264,857</u>	<u>\$ 8,074,221</u>
Debt Service Ratio		
Net Revenues	\$ 12,287,158	\$ 12,295,530
Other Available Monies	<u>6,847</u>	<u>2,018,555</u>
	12,294,005	14,314,085
Divided By: Aggregate Annual Debt Service	<u>\$ 7,264,857</u>	<u>\$ 8,074,221</u>
Debt Service Ratio	<u>1.69</u>	<u>1.77</u>

\*CIF - Capital Improvement Fund

Antonio B. Won Pat International Airport Authority, Guam  
(A Component Unit of the Government of Guam)

Years Ended September 30, 2023 and 2022

Schedule 17  
Employee Data

Department	Employees (a)		Personnel Services (b)	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Board	0	1	\$ 60,854	\$ 57,231
Administration (c)	33	33	4,689,092	1,533,612
Property Management	9	10	1,008,439	911,861
Accounting	8	11	874,351	1,078,284
Engineering	10	10	1,059,505	1,084,500
Operations	20	22	1,975,574	2,048,316
Properties & Facilities Maintenance	35	37	3,199,550	3,006,652
Airport Police	68	73	5,138,274	5,477,533
Aircraft Rescue & Fire Fighting	39	38	4,235,845	3,709,289
<b>Total</b>	<b><u>222</u></b>	<b><u>235</u></b>	<b><u>\$ 22,241,484</u></b>	<b><u>\$ 18,907,278</u></b>

Note(s):

- a. Filled positions, include Limited Term Appointments (LTA's) related to Airport Police pursuant to Transportation Security Administration mandate.
- b. Personnel services are funded by the Operations & Maintenance Fund Account.
- c. Administration consists of :

	<u>2023</u>	<u>2022</u>
Executive Management	3	5
Administrative Support	10	10
Personnel	4	4
Marketing	3	3
Procurement	7	7
Management Info System	6	4
<b>Total</b>	<b><u>33</u></b>	<b><u>33</u></b>

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## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE AND THE SEVENTH SUPPLEMENTAL INDENTURE

Certain provisions of the General Indenture, as previously supplemented and amended, and of the Seventh Supplemental Indenture are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the General Indenture and the Seventh Supplemental Indenture.

#### Certain Definitions

“Account” means each account established and given a designation pursuant to the Indenture or any Supplemental Indenture.

“Accreted Value” means, with respect to any particular Bonds as of any given date of calculation, an amount equal to the sum of the principal amount of such Bonds plus accrued and unpaid interest on such Bonds as of such date, but not including interest payable on a current basis at least annually.

“Act” means Chapter 1 of Title 12 of the Guam Code Annotated, as amended, and as it may from time to time be amended or supplemented.

“Additional Bonds” means bonds, notes or other obligations of the Authority payable from Revenues and ranking on a parity with the Bonds then outstanding and authorized to be issued under and pursuant to the Indenture.

“Aggregate Annual Debt Service” means, for any year, Annual Debt Service for such year on all Bonds.

“Airport” or “Airports” means the Antonio B. Won Pat Guam International Air Terminal, together with all related facilities owned or operated by the Authority (including but not limited to, any industrial park owned and operated by the Authority in conjunction with the other airport facilities), together with any other airports owned or operated for civil aviation purposes by the Authority after the date of the General Indenture, whether as a replacement for the existing Antonio B. Won Pat Guam International Air Terminal, or otherwise, together with all related facilities, including all additions, betterments, extensions or improvements thereto.

“Airport Consultant” means an Independent person, firm or corporation having a widely known and favorable reputation for special skill, knowledge and experience in methods of development, operation and management of airports of the approximate size and character as the Airport.

“Annual Debt Service” means, for any year, and with respect to any Bonds (A) the sum of (1) the interest falling due on such Bonds then Outstanding (assuming that all then Outstanding Serial Bonds are retired on their respective maturity dates and that all then Outstanding Term Bonds are retired at the times of and in amounts provided for by the Mandatory Sinking Account Payments applicable to such Term Bonds), but not including Capitalized Interest, plus (2) the principal amount of such Bonds then Outstanding that are Serial Bonds falling due by their terms, plus (3) the aggregate amount of all Mandatory Sinking Account Payments falling due with respect to such Bonds then Outstanding that are Term Bonds, plus (4) the aggregate amount of Payment Agreement Payments under Related Parity Payment Agreements then Outstanding falling due, minus (B) the aggregate amount of Payment Agreement Receipts under Related Payment Agreements then Outstanding falling due; all as calculated for said year and provided that for purposes of determining the interest payable on Variable Rate Bonds, any obligation of the Authority to make Payment Agreement Payments based on a variable rate under Parity Payment Agreements and any obligation of a Qualified Counterparty to make payments under a Payment Agreement to the Authority based on a variable rate, the following assumptions are to be made:

(i) for purposes of determining the interest payable on Variable Rate Bonds, the interest rate used in making such determination are to be (a) for periods for which such rate has been determined, the actual interest rate on such Bonds; (b) for purposes of filing certain certificates in connection with issuance of additional Series of Bonds for purposes of providing moneys for deposit in a Construction Account, for any other period, a rate equal to

1.1 times the highest rate of interest borne by such Bonds, or if such Bonds were not Outstanding during any portion of any such period bonds with similar ratings and terms, during the next preceding twelve months; or (c) for any other period or purpose, the prevailing interest rate on such Bonds as of the date of such determination;

(ii) for purposes of determining the amount of Payment Agreement Payments based on a variable rate under Parity Payment Agreements, the rate used in making such determination are to be assumed to be (a) for periods for which such rate has been determined, the actual rate used to calculate such payments, (b) for purposes of filing certain certificates in connection with issuance of additional Series of Bonds for purposes of providing moneys for deposit in a Construction Account, for any other period, a rate equal to 1.1 times the highest such rate during the next preceding twelve months, and (c) for any other period or purpose, the prevailing rate being used to determine such payment obligation as of the date of such determination; in each such case without regard to the occurrence of any event that, under the provisions of such Payment Agreement, would permit or require the Authority to make payments on any basis other than such rates;

(iii) for purposes of determining the amount of payments by a Qualified Counterparty under a Payment Agreement to the Authority based on a variable rate, the rate used in making such determination are to be (a) if such Payment Agreement obligates a Qualified Counterparty to make payments to the Authority based on a variable rate that is equal to the actual rate on the Related Bonds, the actual rate on such Bonds; and (b) if such Payment Agreement obligates a Qualified Counterparty to make payments to the Authority based on a variable rate other than the actual rate on the Related Bonds (1) for periods for which such rate has been determined, the actual rate used to calculate such payments, (2) for purposes of filing certain certificates in connection with issuance of additional Series of Bonds for purposes of providing moneys for deposit in a Construction Account, for any other period, a rate equal to 1.1 times the highest such rate during the next preceding twelve months, and (3) for any other period or purpose, the prevailing rate being used to determine such payment obligation as of the date of such determination; in each such case without regard to the occurrence of any event that, under the provisions of such Payment Agreement, would permit or require the Qualified Counterparty to make payments on any basis other than such rates.

“Authority” means the Antonio B. Won Pat International Airport Authority, Guam (formerly known as A.B. Won Pat Guam International Airport Authority), a public corporation and autonomous instrumentality of the Government of Guam, or any successor to the rights, powers, functions and duties with respect to the management, administration and control of the Airport, which are vested in the Authority.

“Authorized Officer” of the Trustee means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, every trust officer and any other officer or assistant officer of the Trustee, other than those specifically above mentioned, designated by a certificate of an Authorized Officer of the Trustee as an Authorized Officer for purposes of the Indenture.

“Board” means the Board of Directors of the Authority or any other governing board of the Authority provided for pursuant to law.

“Bond Counsel” means an attorney or firm of attorneys having a national reputation for expertise in matters relating to governmental obligations the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code.

“Bond Reserve Account” means an account by that name established within the Bond Reserve Fund pursuant to the Indenture.

“Bond Reserve Account Requirement” means, as of any particular date of calculation, with respect to any Series of Bonds for which a Bond Reserve Account Requirement is established, an amount equal to the amount calculated for such date as specified by the Supplemental Indenture providing for the issuance of such Series of Bonds.

“Bond Year” means, generally, with respect to any Series, the period of twelve consecutive months ending on the day in each year specified in the Supplemental Indenture authorizing the issuance of such Series if Bonds are or will be Outstanding in such twelve-month period; with respect to the 2024 Bonds, the period of twelve consecutive months ending October 1 of each year if 2024 Bonds are or will be Outstanding in such twelve-month period; provided

that the first Bond Year shall commence on the Closing Date and end on October 1, 2025, unless a different designation is made by the Authority.

“Bondowner” or “Owner” or “Holder” means any person who is the registered owner of any Outstanding Bond, or, if such Outstanding Bond has a maturity of one year or less and has been issued in bearer form, means the bearer of such Bond.

“Bonds” means the A.B. Won Pat International Airport Authority, Guam General Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture and a Supplemental Indenture, including any Additional Bonds authorized by, and at any time Outstanding pursuant to, the Indenture and any Supplemental Indenture.

“Business Day” means any day other than a Saturday, Sunday or other day upon which banks in the cities in which the Principal Offices of the Trustee, each Depository, each Paying Agent and each Credit Provider are located are authorized or required to be closed.

“Capital Improvement” means any addition, betterment, improvement or extension of the Airport having costs in excess of \$100,000 and a useful life in excess of five years.

“Capital Improvement Fund” means the fund by that name established pursuant to the Indenture for the purposes described in “—Summary of Certain Provisions of the General Indenture—Funds and Accounts—Capital Improvement Fund.”

“Capitalized Interest” means interest to be paid from the original proceeds of Bonds (including proceeds constituting accrued interest on the Bonds) and from income derived from the investment of such proceeds.

“Certificate of the Authority” means an instrument in writing signed by the Chairman or by the Executive Manager or by any other officer of the Authority duly authorized by resolution of the Board for that purpose. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined are to be read and construed as a single instrument. If and to the extent required by the provisions of the Indenture, each Certificate of the Authority is to include the statements provided for in the Indenture.

“Certified Public Accountant” means (i) any nationally recognized U.S. certified public accountant or accounting firm or (ii) any other U.S. certified public accountant or accounting firm approved by each Credit Provider, if any, not then in default of the obligations under a Credit Facility.

“Chairman” means the Chairman of the Board of Directors of the Authority.

“Code” means the Internal Revenue Code of 1986 or any similar or successor federal law.

“Construction Account” means an account by that name established pursuant to the Indenture.

“Construction Fund” means the A.B. Won Pat Guam International Airport Authority construction fund (created by Section 1205 of the Act).

“Consulting Engineer” means an Independent architect, engineer or architectural or engineering firm experienced in airport design and construction, having a favorable reputation with respect thereto and retained by the Authority to perform the acts and carry out the duties of a Consulting Engineer under the Indenture.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising costs, Bond and official statement printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, the Co-Trustee and any Depository, Paying Agent and Registrar, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of

any Credit Provider, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds and any other cost, charge or fee in connection with the original issuance of Bonds.

“Co-Trustee” means U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association) appointed by the Authority as Co-Trustee in accordance with the Indenture and acting as an independent trustee with the duties and powers provided in the Indenture, its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

“Credit Agreement” means any agreement between the Authority and a Credit Provider pursuant to which such Credit Provider agrees to provide a Credit Facility or pursuant to which the Authority agrees to reimburse a Credit Provider for draws or advances under or claims made against a Credit Facility.

“Credit Agreement Payments” means Credit Agreement Reimbursement Payments and Other Credit Agreement Payments.

“Credit Agreement Reimbursement Payments” means any payment obligation of the Authority pursuant to a Credit Agreement designated as such in a Supplemental Indenture.

“Credit Facility” means any letter of credit, insurance policy, surety bond or other instrument designated by a Supplemental Indenture as providing supplemental credit support for a Series of Bonds (including by substituting for a deposit in a Bond Reserve Account).

“Credit Provider” means any person, firm or entity designated in a Supplemental Indenture as providing a Credit Facility for a Series of Bonds, and any successor thereto.

“Date of Beneficial Occupancy” means, for any particular Project, the date on which such Project is projected to be available for use by the Authority for the purposes for which it is intended to be used.

“Debt Service Fund” means the fund by that name established pursuant to the Indenture.

“Depository” means, with respect to any particular fund or account, the bank or trust company or other financial institution with similar powers designated by a Supplemental Indenture or a Statement of the Authority to act as the Depository under the Indenture for such fund or account, its successors and assigns, and any other bank or trust company or financial institution which may at any time be substituted in its place, as provided in the Indenture.

“Event of Default” means an event of that name described in the provisions of the Indenture summarized under “—Summary of Certain Provisions of the General Indenture—Events of Default and Remedies of Bondowners—Events of the Default.”

“Executive Manager” means the person employed by the Board under the Act to supervise the administration of the Authority as its chief executive officer.

“Federal Securities” means (1) direct obligations of the United States of America for which the full faith and credit of the United States of America are pledged for the payment of principal and interest (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America); (2) obligations for which the payment of principal and interest is guaranteed directly by the full faith and credit of the United States of America of the following types issued by the following agencies: U.S. Export Import Bank (direct obligations or fully guaranteed certificates of beneficial ownership), Farmers Home Administration (certificates of beneficial ownership), Federal Financing Bank, General Services Administration (participation certificates), U.S. Maritime Administration (guaranteed Title XI financing), U.S. Department of Housing and Urban Development (project notes, local authority bonds, new communities debentures—U.S. government guaranteed debentures, or U.S. public housing notes and bonds U.S. government guaranteed public housing notes and bonds); (3) obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (collectively, “Municipal Obligations”) (a) which are fully secured as to principal and interest and redemption premium, if any, by an escrow or trust fund consisting only of cash or obligations of the character described in clauses

(1) or (2) of this definition (“Government Obligations”), which fund may be applied only to the payment of interest on such municipal obligations when due and principal of and redemption premium, if any, on such municipal obligations on the maturity date or dates thereof or the redemption date or dates specified in an irrevocable notice, as appropriate, (b) as to which the cash and the principal of and interest on the Government Obligations in such escrow or trust fund will be sufficient to pay such interest, principal and redemption premium on such date or dates, and (c) which at the time of purchase are rated in the highest rating category by each Rating Agency; (4) certificates which evidence ownership of the right to the payment of any specified portion of the principal of and interest on obligations described in clause (1) of this definition, provided that such obligations have been stripped by the Treasury of the United States of America; and (5) the interest component of Resolution Funding Corp. stripped securities, which have been stripped by request to the Federal Reserve Bank of New York, in book entry form.

“Fiduciaries” means the Trustee, the Co-Trustee, each Depository, each Registrar and each Paying Agent.

“Financial Newspaper or Journal” means, collectively, *The Wall Street Journal*, *The Bond Buyer* or any one or more other newspapers or journals publishing financial news and selected by the Trustee, whose decision will be final and conclusive, printed in the English language, customarily published on each business day and circulated in New York, New York, San Francisco, California, and Hagatña, Guam.

“Fiscal Year” means the period beginning on October 1 of each year and ending on the next succeeding September 30, or such other fiscal year as may be adopted by the Authority.

“Fund” means each fund established and given a designation pursuant to the Indenture or any Supplemental Indenture.

“Government” means the Government of Guam or any successor to the rights, powers and obligations thereof under the Act with respect to the Bonds.

“Indenture” or “General Indenture” means the Indenture, dated as of September 1, 2003, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Independent” means, when used with respect to any given person, that such person (who may be selected and paid by the Authority or the Government) (1) is in fact independent and not under domination of the Authority or the Government; (2) does not have any substantial interest, direct or indirect, with the Authority or the Government; and (3) is not connected with the Authority or the Government as an officer or employee of the Authority or the Government, but who may be regularly retained to provide services to the Authority or the Government.

“Interest Accrual Period” means, for any particular Bond, each period between successive Interest Payment Dates for such Bond, including in each case in such period the concluding Interest Payment Date but not the beginning Interest Payment Date, and treating the day prior to the date of original issuance of such Bond as if it were an Interest Payment Date for such Bond for such purpose.

“Interest Payment Date” means, for any particular Bond, each date specified as an Interest Payment Date for such Bond by the Supplemental Indenture authorizing the issuance of such Bond and, for all Bonds, all such dates.

“Investment Securities” means any of the following which at the time are legal investments under the laws of Guam for moneys held under the Indenture and then proposed to be invested therein:

- (1) Federal Securities;
- (2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Banks, Federal National Mortgage Association, Government National Mortgage Association, Federal Housing Administration or Federal Home Loan Mortgage Corporation;
- (3) interest-bearing demand or time deposits (including certificates of deposit) which are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund;

(4) obligations, including deposits, federal funds borrowings and banker's acceptances, of any bank, or of the subsidiary lead bank of any bank holding company, which has an unsecured, uninsured and unguaranteed obligation of equivalent maturity rated at least the second highest major rating category by each Rating Agency;

(5) commercial paper rated at least the second highest rating category by each Rating Agency;

(6) money market funds which are (a) restricted to Federal Securities or (b) registered under the Investment Company Act of 1940 and the shares of which are registered under the Securities Act of 1933, and have a rating by S&P of AAAm-G; AAA-m; or AA-m and Moody's of Aaa, Aa1 or Aa2;

(7) repurchase agreements, the underlying securities of which are specifically designated and are obligations described in clause (1) or (2) of this definition, provided that, (a) the agreement is between the municipal entity and a dealer bank or securities firm; (b) such dealer bank or securities firm is either a primary dealer on the Federal Reserve reporting dealer list rated "A" or better by Standard & Poor's and Moody's, or a bank rated "A" or better by Standard & Poor's and Moody's; (c) the agreement provides that the securities be delivered to the Authority, the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before payment or on a delivery versus payment basis; (d) the securities must be valued weekly, marked-to-market at current market price plus accrued interest; (e) the value of collateral must be equal to 104% (or 105% if the collateral is comprised of obligations of Federal National Mortgage Association or Federal Home Loan Mortgage Corporation) of the amount of cash transferred to the dealer bank or security firm plus accrued interest; and (f) the Authority receives a legal opinion that the agreement is a legal investment under the laws of Guam;

(8) investment agreements (a) with corporations, associations or financial institutions which have general obligations, or whose holding companies have general obligations, rated at least the second highest rating category by each Rating Agency, or (b) which agreements are continuously secured by obligations described in clause (1) or (2) of this definition which have a market value (valued at least weekly) not less than 103% of the amount so invested; and

(9) any other investment approved in writing by each Credit Provider then providing a Credit Facility for Bonds not then in default of its obligations thereunder. None of the Trustee, the Co-Trustee nor any Depository will be deemed, by entering into the Indenture, to have agreed to make the valuation required by clauses (7) and (8) above, but such agreement by or on behalf of the Trustee, the Co-Trustee or a Depository will be a condition precedent to investment in obligations of the type described in such clauses.

"Legislature" means the Legislature of Guam or any successor to the rights, powers and obligations thereof under the Act with respect to the Bonds.

"Mandatory Sinking Account Payment" means, as of any date of calculation with respect to any Series of Bonds, the amount required by the Indenture and any Supplemental Indenture to be paid by the Authority on a given date for the retirement of Term Bonds of such Series.

"Maximum Annual Debt Service" means, for any particular Bonds as of any particular date of calculation, Annual Debt Service on such Bonds for the Bond Year including or commencing on or after such date for which such sum will be largest.

"Net Revenues" means, for any particular period, all of the Revenues (other than Payment Agreement Receipts) received during such period less all Operation and Maintenance Expenses of the Airport incurred during such period.

"Operation and Maintenance Expenses" means (i) the reasonable and necessary direct and indirect costs of providing the administration, operation and maintenance of the Airport, including, but not limited to, salaries and wages, costs of insurance or other provision for retirement of officers and employees of the Authority (to the extent that said costs are allocated to the expense account of the Airport, as opposed to the capital account of the Airport, in

conformity with generally accepted accounting principles), fees for services, costs of materials, supplies and fuel, expenses of maintenance and repairs and other expenses necessary to maintain and preserve the Airport in good condition and working order, costs of administration, overhead, insurance (including self-insurance being maintained in accordance with the Indenture), taxes (if any) and other similar items, lawful refunds, judgments and assessments, costs of defending or settling litigation or threatened litigation, Costs of Issuance not paid from the proceeds of Bonds, and expenses of the Fiduciaries, Credit Providers, Independent Certified Public Accountants, Airport Consultants and Consulting Engineers and payments to the United States of America under Section 148(f) of the Code; but not including depreciation and obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, costs of Capital Improvements which are chargeable to a capital account or to a reserve for depreciation, and charges for the payment of principal and interest on any bonds or other obligations issued by the Authority prior to or after the date of the Indenture and (ii) to the extent not included in (i), Other Credit Agreement Payments.

“Operation and Maintenance Fund” means the fund of that name established pursuant to the Indenture.

“Operation and Maintenance Reserve Fund” means the fund of that name established pursuant to the Indenture.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Authority) retained by the Authority. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel is to include the statements provided for in the Indenture.

“Order of the Authority,” “Request of the Authority,” “Requisition of the Authority,” or “Statement of the Authority” mean, respectively, a written order, request, requisition or statement signed by or on behalf of the Authority by the Chairman or the Executive Manager or by any person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Board to sign or execute such a document on behalf of the Authority.

“Other Available Moneys” means for any Fiscal Year the amount designated by the Authority of unencumbered moneys on deposit in the Capital Improvement Fund at the end of the prior Fiscal Year, but in no event is such amount to exceed 25% of the Aggregate Annual Debt Service for such Fiscal Year.

“Other Credit Agreement Payments” means any payment obligation of the Authority pursuant to a Credit Agreement designated as such in a Supplemental Indenture.

“Outstanding,” when used as of any particular time with reference to

(A) Bonds, means (subject to the provisions of the Indenture relating to disqualified bonds) all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except: (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds for the payment or redemption of which funds or securities in the necessary amount (as set forth in the provisions of the Indenture summarized in “—Summary of Certain Provisions of the General Indenture—Defeasance”) have theretofore been deposited with the Trustee (whether upon or prior to the maturity or redemption date of such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Indenture or provision satisfactory to the Trustee will have been made for the giving of such notice; and (3) Bonds in lieu of or in substitution for which other Bonds have been executed, issued and delivered by the Authority pursuant to the Indenture;

(B) Payment Agreements, means all Payment Agreements which have not been paid or otherwise satisfied as provided in the proceedings and instruments pursuant to which such Payment Agreements have been incurred; provided that Payment Agreements are not to be deemed Outstanding if the Authority or the Qualified Counterparty with respect thereto is in default thereunder; and

(C) Credit Agreements, means all Credit Agreements which have not been paid or otherwise satisfied as provided in the proceedings and instruments pursuant to which such Credit Agreements have been

incurred; provided that a Credit Agreement are not to be deemed Outstanding during any period in which the Credit Provider with respect thereto is in default on its payment obligations thereunder.

“Parity Payment Agreement” means a Payment Agreement which is designated as such in a Supplemental Indenture, the payment of which constitutes a charge and lien on Revenues equal to and on a parity with the charge and lien upon the Revenues for the payment of the Bonds.

“Parity Payment Agreement Payments” means Payment Agreement Payments under a Parity Payment Agreement.

“Passenger Facility Charge” means a charge of the type authorized by Federal Aviation Regulation 14 Code of Federal Regulations Part 158 and imposed by the Authority on passengers enplaned at the Airport.

“Paying Agent” means any paying agent appointed pursuant to a Supplemental Indenture, and its successors and assigns as provided in the Indenture.

“Payment Agreement” means any contract entered into by the Authority with a Qualified Counterparty in connection with, or incidental to, the issuance of Bonds, or the carrying of any investment or program of investment or entering into or maintaining any agreement which secures Bonds, which the Authority determines to be necessary or appropriate to place the obligation or investment of the Authority, as represented by such Bonds, investment, program of investment or agreement and the contract or contracts, in whole or in part, on the interest rate, currency, cash-flow, or other basis desired by the Authority, including, without limitation, contracts commonly known as interest rate swap agreements or contracts providing for payments based on levels of, or changes in, interest rates, or contracts to exchange cash flows or a series of payments, or contracts, including, without limitation, interest rate floors or caps, options, put or call to hedge payment, rate, spread, or similar exposure and which is designated as such and as Related to particular Bonds in a Supplemental Indenture.

“Payment Agreement Payment Accrual Period” means, for any Payment Agreement, each period between successive Payment Agreement Payment Dates for such Payment Agreement, including in each case in such period the concluding Payment Agreement Payment Date but not the beginning Payment Agreement Payment Date, and treating the day prior to the effective date of such Payment Agreement as if it were a Payment Agreement Payment Date for such Payment Agreement for such purpose.

“Payment Agreement Payment Date” means, for any particular Payment Agreement, each date specified as a payment date in such Payment Agreement.

“Payment Agreement Payments” means amounts required to be paid periodically by the Authority to any Qualified Counterparty pursuant to a Payment Agreement, but not including (i) Termination Payments or (ii) such other payments as may be specified in a Supplemental Indenture.

“Payment Agreement Receipts” means amounts required to be paid periodically by a Qualified Counterparty to the Authority pursuant to a Payment Agreement, but not including Termination Payments.

“Principal Office” means, with respect to the Trustee, the office of the Trustee in Hagatña, Guam; and with respect to the Co-Trustee, the corporate trust office of the Co-Trustee in Los Angeles, California, provided for transfer, exchange, surrender, presentation and payment with respect to the Bonds means the corporate trust operations office of the co-trustee in Saint Paul, Minnesota, or such other office designated by the Co-Trustee to the Authority in writing; and with respect to any other Fiduciary the office of such Fiduciary designated in the Supplemental Indenture or Statement of the Authority appointing such Fiduciary; in each case at such address as the respective party may have designated for such purpose. The Principal Office of any Credit Provider will be as specified by such Credit Provider pursuant to its Credit Facility or Credit Agreement.

“Principal Payment Period” means, for any particular Bond, each period so designated by the Supplemental Indenture authorizing the issuance of such Bond.

“Project” means any particular additions, enlargements, betterments, extensions and other improvements to or related to, and the equipping of, the Airport, including, without limitation, the acquisition of land and furnishings therefor or the payment of any claims or judgments relating thereto, as specified and described by the Supplemental Indenture authorizing issuance of the first Series of Bonds for such Project, and as such specification and description may be modified in accordance with the Indenture.

“Project Costs” means, with respect to any given Project, all costs which are chargeable to the capital account of such Project, including, but not limited to, the following: (1) costs of the Authority and all contractors for land (including franchises, licenses or other interests in land), labor, materials, machinery, equipment and furnishings in connection with the acquisition, construction, reconstruction, installation and equipping of the Project or otherwise attributable to the Project; (2) the cost of relocation and installation of utilities, environmental cleanup and noise abatement; (3) the cost of contract bonds and insurance of all kinds that may be required or necessary during the construction of the Project; (4) all costs of architectural and engineering services, including the costs of test borings, surveys, estimates, plans and specifications and preliminary investigation therefor, and for inspecting and supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of the Project; (5) relocation costs and any claims, awards or judgments relating to the Project; (6) Capitalized Interest; and (7) all amounts required to reimburse the Authority for advances made by it for any of the above items or for any other costs incurred and for work done, whether before or after the date of the Indenture, which are properly chargeable to the Project.

“Qualified Counterparty” means the party, other than the Authority, to a Payment Agreement; provided that any such party must satisfy the following requirements: (1) either (a) the obligations of such party under the Payment Agreement (or obligations of such type) must be rated in one of the three (3) highest rating categories of each of the Rating Agencies then rating the Bonds (without regard to any gradations within a rating category), or (b) the obligations of such party under the Payment Agreement are guaranteed by a bond insurer or other institution, in each case the obligations of such type of which must be rated in one of the three (3) highest rating categories of each of the Rating Agencies then rating the Bonds (without regard to any gradations within a rating category); and (2) such party must be otherwise qualified to act as the other party to a Payment Agreement with the Authority under any applicable laws.

“Rating Agency” means, as of any given date, each nationally recognized securities rating agency designated by the Indenture or any Supplemental Indenture as a Rating Agency under the Indenture and then rating any Series of Bonds. The Seventh Supplemental Indenture designates Moody’s Investors Service as the Rating Agency in respect of the 2024 Bonds.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“Record Date” means, for any particular payment of principal of or interest or premium on particular Bonds, each date specified as a Record Date for such Bonds by the Supplemental Indenture authorizing the issuance of such Bonds. The Seventh Supplemental Indenture provides that the Record Date for all scheduled payments of principal of and interest on the 2024 Bonds shall be the 15th day of the calendar month next preceding the date each such payment is due, whether or not such 15th day is a Business Day.

“Redemption Price” means, with respect to any Bond (or portion thereof if less than all of a Bond is to be redeemed) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Registrar” means any registrar appointed pursuant to a Supplemental Indenture, and its successors and assigns as provided in the Indenture.

“Related” means, with respect to any particular Payment Agreement, having been designated as such with respect to any particular Bonds pursuant to a Supplemental Indenture.

“Renewal and Replacement Fund” means the fund by that name established pursuant to the Indenture.

“Revenue Fund” means the General Revenue Bond Revenue Fund established pursuant to the Indenture.

“Revenues” means all gross income and revenue received by the Authority from the ownership or operation of the Airport, including all rents, fees and charges received by the Authority for the use of the Airport, all Payment Agreement Receipts, all proceeds of insurance or grants covering business interruption loss (and related losses and expenses) relating to the Airport, and all investment income which is available for the purposes for which Revenues are used under the Indenture (other than investment income from the Construction Accounts, the Capital Improvement Fund or the Rebate Fund), but not including:

- (1) amounts received as insurance proceeds (except as provided in the provisions of the Indenture summarized above) or from the sale, transfer or other disposition of, or upon the taking by or under the threat of eminent domain of, all or any part of the Airport (which moneys are to be received and disposed of pursuant to provisions of the Indenture relating to sale or other disposition of property, insurance and eminent domain proceeds, as the case may be),
- (2) proceeds from any securities issued by the Authority or proceeds from loans obtained by the Authority,
- (3) amounts derived from any Special Facility and which are pledged or assigned as security for the payment of indebtedness incurred to finance such Special Facility,
- (4) the proceeds of any court or arbitration award or settlement in lieu thereof received by the Authority,
- (5) amounts received by the Authority as gifts or as grants (except as provided in the provisions of the Indenture summarized above), whether restricted or unrestricted, and
- (6) other amounts (except as provided in the provisions of the Indenture summarized above), the use of which is restricted by the donor or grantor.

The proceeds of any Passenger Facility Charge, for the purposes of the Indenture, including the pledge under the Indenture, are to be treated as Revenues, but are required to be used under the Indenture only to the extent and for the purposes that such proceeds are by federal law or regulation permitted to be used.

“Serial Bonds” means, generally, Bonds designated as Serial Bonds in the Supplemental Indenture providing for the issuance of such Series and for which no Mandatory Sinking Account Payments are provided.

“Series” or “Series of Bonds” means and refers to all Bonds of like designation and described as such in a Supplemental Indenture authenticated and delivered on original issuance at the same time pursuant to the Indenture, and any Bonds thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the Indenture.

“Seventh Supplemental Indenture” means the Seventh Supplemental Indenture, dated as of October 1, 2024, among the Authority, the Trustee and the Co-Trustee, as originally executed and as may be amended from time to time in accordance with the Indenture.

“Sinking Accounts” means any special account or accounts established by any Supplemental Indenture or Indentures in the Debt Service Fund for the payment of Term Bonds.

“Special Facility” means any property, real or personal, incident or related to the Airport, which is financed through the issuance of Special Facility Bonds and is subject to the provisions of the Indenture.

“Special Facility Bonds” means bonds or other obligations of the Authority issued in accordance with the provisions of the Indenture to finance Special Facilities.

“Special Facility Lease” has the meaning specified in the provisions of the Indenture summarized under “— Certain Provisions of the General Indenture—Certain Covenants—Special Facility Bonds and Special Facility Leases.”

“Subordinate Securities” means any obligations of the Authority payable from the Subordinate Securities Fund and having a lien, if any, on Revenues subordinate to the pledge and lien of the Indenture securing the payment of the Bonds.

“Subordinate Securities Fund” means the fund by that name established pursuant to the Indenture.

“Supplemental Indenture” means any indenture duly authorized under and in compliance with the Act, entered into by and between the Authority and the Trustee and accepted by each Depositary, Paying Agent and Registrar the duties of which are affected thereby, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means a Certificate of the Authority concerning the calculation of any amount to be paid to the United States of America pursuant to Section 148(f) of the Code and any other matters relating to the exclusion of interest on Bonds from gross income for federal income tax purposes.

“Term Bonds” means, generally, Bonds designated as Term Bonds in the Supplemental Indenture providing for the issuance of such Series and which are payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“Termination Payments” means amounts required to be paid by the Authority or a Qualified Counterparty pursuant to a Payment Agreement in connection with a termination of all or any portion thereof.

“Treasurer” means the Treasurer of the Authority.

“Trustee” means Bank of Guam, appointed by the Authority as Trustee in accordance with the Indenture and acting as an independent trustee with the duties and powers provided in the Indenture, its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

## **Summary of Certain Provisions of the General Indenture**

### **Equality of Security**

In consideration of the acceptance of the Bonds by the Owners thereof from time to time, the Indenture is deemed to be and constitutes a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements set forth in the Indenture required to be performed on behalf of the Authority are to be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the Series, number or date thereof or the time of issue, sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in such Bonds or in the Indenture.

### **Pledge and Assignment of Revenues**

Subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture and the payment of Credit Agreement Payments and Parity Payment Agreements in accordance with their terms, all of the Revenues. Said pledge constitutes a first lien on and security interest in such Revenues and attaches, is perfected and is valid and binding from and after delivery by the applicable Registrar of the first Series of Bonds under the Indenture, without any physical delivery of such Revenues or further act.

## **Funds and Accounts**

Revenue Fund. The Depository designated by Order of the Authority is required to establish within the Guam Airport Authority Revenue Fund created by Section 1206 of the Act and maintain and hold in trust under the Indenture a separate fund designated as the “General Revenue Bond Revenue Fund.” The Authority is required to deposit all Revenues upon the receipt thereof in the Revenue Fund. The Trustee and the Depository will be entitled to and are required to collect and receive all of the Revenues, and any Revenues collected or received by the Authority are to be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and the Depository and are required to be paid forthwith by the Authority to the Depository.

Construction Accounts. With respect to each Project or Series, as determined by the Authority, the Depository for the Construction Account for such Project or Series will be required to establish within the Guam Airport Authority Construction Fund (created by Section 1205 of the Act) and maintain and hold in trust under the Indenture a separate account designated as the “\_\_\_\_\_ Construction Account” (inserting therein the Project or Series designation). Amounts in each Construction Account is to be used and withdrawn, as provided in the Indenture, solely for the payment of Project Costs of such Project (or of the Project or Projects for which such Series is being issued), including by (1) direct payment, (2) payment of any debt obligations issued by the Authority, or repayment of any advances made from any source, to finance temporarily such Project Costs, (3) payment of Capitalized Interest accruing on Bonds issued for such Project as specified in the Supplemental Indenture relating thereto, and (4) payment of Costs of Issuance of such Bonds. A Depository will be required to disburse moneys in a Construction Account only upon Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper and lawful charge against such account.

The Authority may modify the specifications or description of any Project or Projects by filing with the Trustee and each Depository for each Construction Account for such Project or Projects a Certificate of the Authority describing such modification, together with a written report of an Airport Consultant to the effect that such modification will have no material adverse effect on the Authority’s ability to comply with the provision of the Indenture summarized under “—Certain Covenants—Rate Covenant” and an opinion of Bond Counsel to the effect that such modification and the use of amounts in such Construction Accounts for such modified Project or Projects will not adversely affect the exclusion, if any, of interest on any Bonds from gross income for federal income tax purposes.

Upon receipt of a Certificate of the Authority that amounts in any Construction Account are no longer required for the purpose of such account, said amounts are to be transferred to the Capital Improvement Fund or any other fund or account designated by the Authority in such Certificate; provided, however, that any such transfer will be subject to receipt by the Trustee of an opinion of Bond Counsel to the effect that such transfer and the use of such amounts for the purposes intended by the Authority after such transfer will not adversely affect the exclusion, if any, of interest on any Bonds from gross income for federal income tax purposes.

All interest and other profits derived from the investment of moneys in each Construction Account are to be retained therein.

Operation and Maintenance Fund. All amounts in the Operation and Maintenance Fund are to be used and withdrawn by the Authority upon Requisition solely for the purpose of paying Operation and Maintenance Expenses; provided that any amounts deposited in the Operation and Maintenance Fund for the purpose of paying Other Credit Agreement Payments will be used and withdrawn only for the purpose for which they were deposited.

Debt Service Fund. All amounts in the Debt Service Fund are required to be used and withdrawn by the Trustee solely for the purpose of (1) paying interest on Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture), (2) paying the principal of Serial Bonds when due and payable, (3) purchasing or redeeming or paying at maturity Term Bonds as provided in the provisions of the Indenture summarized in this section, (4) paying Parity Payment Agreement Payments due and payable and (5) paying Credit Agreement Reimbursement Payments due and payable.

On each Mandatory Sinking Account Payment date, the Trustee is required to apply the Mandatory Sinking Account Payment or Payments required on that date to the redemption (or payment at maturity, as the case may be) of the applicable Term Bonds upon the notice and in the manner provided in the Indenture. At any time prior to giving such notice of such redemption, the Trustee, upon the Request of the Authority, is required to apply moneys in the Debt Service Fund, in an amount not in excess of such Mandatory Sinking Account Payment, to the purchase of the applicable Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges) as are specified in such Request, except that the purchase price (excluding accrued interest) are not to exceed the price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment.

If (1) during the twelve-month period immediately preceding a Mandatory Sinking Account Payment date the Trustee purchases the applicable Term Bonds with moneys in the Debt Service Fund, or (2) during said period and prior to giving notice of redemption the Authority otherwise deposits the applicable Term Bonds with the Trustee (together with a Request of the Authority to apply such Bonds so deposited to the Mandatory Sinking Account Payment due on said date), the amount of Bonds so purchased or deposited are to be credited at the time of such purchase or deposit, to the extent of the full principal amount thereof, to reduce such Mandatory Sinking Account Payment.

All Bonds purchased or deposited pursuant to the provisions of the Indenture summarized in this subsection are required to be cancelled and destroyed by the Trustee.

Bond Reserve Accounts. All amounts in each Bond Reserve Account are required to be used and withdrawn by the Trustee solely for the purpose of paying debt service on the Series of Bonds (including Payment Agreement Payments to the extent provided in any Supplemental Indenture) for which such Account was established in the event of a deficiency in the Debt Service Fund, in the manner and to the extent set forth in the Indenture. So long as the Authority is not in default under the Indenture, any amount in any Bond Reserve Account in excess of its Bond Reserve Account Requirement is required to be transferred to the Revenue Fund. A Supplemental Indenture providing for the issuance of a Series of Bonds may provide that income derived from the investment of the proceeds of such Series in the Bond Reserve Account for such Series prior to the completion of each Project for which such Bonds were issued are to be deposited in the Construction Account for such Project. Otherwise, such income is required to be deposited in the Revenue Fund.

The General Indenture provides that the Supplemental Indenture for any Series of Bonds may establish a pooled Bond Reserve Account Requirement for the Series of Bonds to be issued under such Supplemental Indenture and any one or more subsequently issued Series of Bonds with the same pooled Bond Reserve Account Requirement, in which case the Bond Reserve Account Requirement for the initial such Series of Bonds shall be deposited in the applicable Bond Reserve Account in an account solely for the benefit of those Bonds and any Additional Bonds designated in a related Supplemental Indenture as having the same pooled Bond Reserve Account Requirement, and on the date of issuance of any such Additional Bonds, there shall be deposited in the aforementioned account the amount necessary to increase the balance in such account to an amount equal to the Bond Reserve Account Requirement for all Bonds secured by that account.

If and to the extent provided by a Supplemental Indenture authorizing the issuance of a Series of Bonds, the Bond Reserve Account Requirement for the Bond Reserve Account, if any, securing such Series may be wholly or partially satisfied by a Credit Facility. Notwithstanding anything to the contrary contained in the Indenture, such Supplemental Indenture may also provide that if a drawing or other claim on such Credit Facility is honored, amounts available for deposit pursuant to the provisions of the Indenture relating to allocation of Revenues to the Bond Reserve Fund, in the applicable Bond Reserve Account will be applied by the Trustee to reimburse, as soon as practicable, the amount of each payment honoring such drawing or other claim, and the Trustee will give any notice of such reimbursement required by the applicable Credit Agreement.

Subordinate Securities Fund. All amounts in the Subordinate Securities Fund may be used and withdrawn, as directed by a Request of the Authority, for the purpose of paying debt service due on Subordinate Securities, amounts due pursuant to Payment Agreements (including Termination Payments), funding or replenishing reasonable reserves and meeting other requirements of the instrument pursuant to which such Subordinate Securities are issued.

Operation and Maintenance Reserve Fund. All amounts in the Operation and Maintenance Reserve Fund are required to be used and withdrawn upon requisition of the Authority solely for the purpose of paying Operation and Maintenance Expenses if and to the extent that amounts on deposit in the Operation and Maintenance Fund are insufficient for such purpose.

Renewal and Replacement Fund. All amounts in the Renewal and Replacement Fund are required to be used and withdrawn by the Authority upon Requisition solely for the purpose of paying the costs of unanticipated, unbudgeted or emergency repairs of and emergency replacements to the Airport.

Capital Improvement Fund. Except as may be otherwise set forth in a Supplemental Indenture, all amounts in the Capital Improvement Fund may be used and withdrawn by the Authority for any lawful Airport purpose of the Authority or may be transferred to the Revenue Fund, in each case upon Request of the Authority. In accordance with the provisions of the Indenture relating to the Revenue Fund, the Authority may direct the appropriate Depository to establish accounts within the Capital Improvement Fund for the purpose of segregating the proceeds of any Passenger Facility Charge or for other appropriate purposes, and may restrict the purposes for which amounts in any such account may be used and withdrawn so long as such purposes are Airport purposes.

Rebate Fund. If and to the extent required by the Supplemental Indenture providing for the issuance of a Series of Bonds, the Trustee is required to establish and maintain within the Rebate Fund a separate Rebate Account for such Series. Pursuant to the Indenture, there shall be deposited in such Rebate Account from amounts in the Operation and Maintenance Fund or other lawfully available moneys such amounts as are required to be deposited therein pursuant to the Tax Certificate with respect to such Series of Bonds. All money at any time deposited in a Rebate Account are required to be held by the Trustee in trust, and to be governed exclusively by the provisions of the Indenture summarized in this section and by the Tax Certificate with respect to such Series of Bonds.

Notwithstanding any provisions of the Indenture summarized in this section, if the Authority provides to the Trustee an opinion of Bond Counsel that any specified action required under any provisions of the Indenture summarized in this Section is no longer required or that some further or different action is required to maintain the exclusion, if any, from gross income for federal income tax purposes of interest on any Series of Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of any provisions of the Indenture summarized in this Section, and, notwithstanding the provisions of the Indenture summarized in – Modification or Amendment of the Indenture,” the covenants under the Indenture are to be deemed to be modified to that extent.

### **Allocation of Revenues**

Pursuant to the Indenture, on or before the fifth day of each calendar month, the Depository is required to transfer from the Revenue Fund (to the Trustee as necessary) for deposit into one or more of the following respective separate funds, the following amounts in the following order of priority, the requirements of each such fund or account (including the making up of any deficiencies in any such fund or account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied, and the results of such satisfaction being taken into account, before any transfer is made to any fund subordinate in priority:

(A) into the Operation and Maintenance Fund, an amount equal to the amount of Operation and Maintenance Expenses budgeted by the Authority, pursuant to the budget, as revised, filed in accordance with the provisions of the Indenture summarized in “—Certain Covenants—Authority Budgets,” to be paid from Revenues during the next succeeding calendar month (including any amount to be held as a reserve for transfer to the Rebate Fund) plus the amount of any Other Credit Agreement Payments then due and payable or to become due and payable during such month not otherwise included in such amount;

(B) into the Debt Service Fund, an amount equal to the amount necessary to increase the amount in the Debt Service Fund to the aggregate amount for all Outstanding Bonds of all unpaid interest, principal and Mandatory Sinking Account Payments and for all Outstanding Parity Payment Agreements of all Parity Payment Agreement Payments with respect thereto and for all Outstanding Credit Agreements of all Credit Agreement Reimbursement Payments due and payable to the extent not otherwise in such amount which are required to have been transferred to

the Debt Service Fund on the basis of the following transfer requirement rules (after taking into account amounts transferred and to be transferred from any Construction Account to pay Capitalized Interest);

(1) an amount equal to the amount of interest payable on each Bond on a current uncompounded basis on any Interest Payment Date will be transferred in equal monthly amounts over the Interest Accrual Period for such Bond ending on such Interest Payment Date (or in the case of Variable Rate Bonds 110% of the amount of interest accrued during the next preceding calendar month less any excess deposited for the next preceding calendar month); provided that to the extent that a Qualified Counterparty is obligated to make payments to the Authority on or prior to such Interest Payment Date pursuant to an Outstanding Payment Agreement Related to any Bonds, an amount equal to the amount of any such payment obligation is to be transferred from the Revenue Fund to the Debt Service Fund on the date such payment is due and the amount of each monthly transfer with respect to such Bonds required by the provisions of the Indenture summarized in this subparagraph (1) during the Interest Accrual Period (or portion thereof) over which such payment obligation accrues will be reduced by an amount equal to the amount of such Qualified Counterparty's payment obligation accruing during the next preceding calendar month;

(2) the amount of interest payable on each Bond on a deferred compounded basis on any Interest Payment Date is required to be transferred in substantially equal monthly amounts over the period during which such interest accrues on such basis;

(3) the amount of the principal of each Bond is required to be transferred in equal monthly amounts over the Principal Payment Period for such Bond ending on the maturity date for such Bond;

(4) the amount of each Mandatory Sinking Account Payment for Bonds is required to be transferred in equal monthly amounts over the Principal Payment Period for such Bonds ending on the date such Mandatory Sinking Account Payment is due; and

(5) the amount of any Parity Payment Agreement Payment payable on any Payment Agreement Payment Date is required to be transferred (a) in the case of such payments calculated based on a fixed rate, in equal monthly installments over the Payment Agreement Payment Accrual Period for such Payment Agreement Payment ending on such Payment Agreement Payment Date and (b) in the case of such payments calculated based on a variable rate, in monthly installments equal to 110% of the amount of such obligation accrued during the next preceding calendar month less any excess deposited for the next preceding calendar month; and

(6) to the extent not otherwise included in amounts described in subparagraphs (1) through (5) above, the amount of any Credit Agreement Reimbursement Payment due and payable is required to be transferred.

(C) into the Bond Reserve Fund (and into each Bond Reserve Account), the amount, if any, needed to increase the amount in each Bond Reserve Account to its Bond Reserve Account Requirement as of the date of such transfer; provided, however, that if the amount of the Bond Reserve Account Requirement relating to a Series of Additional Bonds is in excess of the amount that may be deposited in the Bond Reserve Fund from the proceeds of such Additional Bonds consistent with Section 148 of the Code (or any applicable successor or similar provision), the Supplemental Indenture providing for the issuance of such Additional Bonds may provide that the source of the amounts needed in excess of the amount of proceeds available for such purpose is to be Revenues deposited, after the deposits in proportion to deficiency, pursuant to the provisions of the Indenture summarized in this subsection in scheduled monthly amounts over the period from the date of issuance of such Additional Bonds through the Interest Payment Date for such Additional Bonds next succeeding the projected Date of Beneficial Occupancy of any Project financed by such Additional Bonds;

(D) into the Subordinate Securities Fund (and any accounts therein), the amount, if any, needed to increase the amount in such Fund and each such account to its requirement (including any requirements for reasonable debt service reserves and requirements related to Payment Agreements that constitute Subordinate Securities (including Termination Payments)) established by each resolution, indenture or other instrument pursuant to which Subordinate Securities are issued and outstanding;

(E) into the Operation and Maintenance Reserve Fund, the amount, if any, needed to increase the amount in the Operation and Maintenance Reserve Fund to an amount equal to one-fourth (1/4) of the total Operation and Maintenance Expenses budgeted by the Authority, pursuant to the budget, as revised, filed in accordance with filed in accordance with the provisions of the Indenture summarized in “—Certain Covenants—Authority Budgets,” for the then current Fiscal Year;

(F) into the Renewal and Replacement Fund, the amount, if any, needed to increase the amount in the Renewal and Replacement Fund to an amount equal to the greater of \$1,000,000 or such amount as may be established by Request of the Authority; and

(G) into the Capital Improvement Fund, the balance remaining in the Revenue Fund after the foregoing deposits.

In the event that the amount in any Fund or Account is insufficient for the purposes for which such Fund or Account was established, the Trustee, the Co-Trustee or the Depositary, or the Depositary upon the direction of the Trustee, will transfer to such Fund or Account the amount of such deficiency by withdrawing said amount from subordinate Funds and Accounts in reverse order of the priority described above and prior to any other claims upon such Funds and Accounts, subject only to the limitation that amounts in each Bond Reserve Account will only be used as provided in the Indenture. If after making all such transfers, the amount in the Debt Service Fund is insufficient, the Trustee will promptly notify each Credit Provider of the amount of such insufficiency.

### **Investment of Moneys in Funds**

All Investment Securities and any other investments acquired with moneys held under the Indenture are to be acquired subject to the limitations of any covenant relating to the exclusion of interest on Bonds from gross income for federal income tax purposes, to the limitations as to maturities set forth in the Indenture and to such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority. Pursuant to the Indenture, no Investment Security which is subject to redemption at the option of the issuer may be purchased at a premium above the amount of the premium payable upon any such redemption.

Moneys in the Construction Accounts, the Rebate Fund, the Debt Service Fund and the Bond Reserve Accounts are required to be invested solely in Investment Securities to maximize investment income, with proper regard for the preservation of principal, pursuant to a Request of the Authority as to such investment. In the absence of any different instruction, such moneys are required to be invested in Investment Securities described in clause (6) of the definition thereof.

Moneys in the Revenue Fund, the Operation and Maintenance Fund, the Subordinate Securities Fund, the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund and the Capital Improvement Fund may be invested in any investment designated by Request of the Authority.

Notwithstanding any other provision of the Indenture, moneys in the Revenue Fund and the Bond Reserve Fund are required to be invested only in Investment Securities having at least an investment grade rating from the Rating Agency.

Subject to the provisions of any Supplemental Indenture, moneys in all Funds and Accounts established under the Indenture will be invested in investments paying interest and maturing not later than the dates on which it is estimated that such moneys will be required by the Trustee, the Co-Trustee, the applicable Depositary or the Authority.

All interest and other profit derived from such investments are required to be deposited in the Revenue Fund when received, except that interest and other profit derived from the investment of moneys in the Construction Accounts, the Capital Improvement Fund and the Rebate Fund are required to be retained in such respective Fund or Account, and except that interest and other profit derived from the investment of moneys in each Bond Reserve Account are required to be deposited as provided in the provisions of the Indenture summarized under “—Funds and Accounts—Bond Reserve Accounts.” Investments acquired as an investment of moneys in any Fund or Account established under the Indenture are required to be credited to such Fund or Account.

The Indenture provides that, subject to the provisions of any Supplemental Indenture, for the purpose of determining the amount in any Fund or Account, except the Rebate Fund, the amount of any obligation allocable to such Fund or Account will be equal to the purchase price of such obligation (not including accrued interest, if any, paid on the purchase of such obligation) plus the amount of any discount below par accounting for any such discount ratably each year over the term of such obligation (i.e., by dividing the amount of such discount by the number of interest payments remaining to maturity and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of purchase) (in this Section called “amortized value”); provided, however, that the amount of any accrued interest on any obligation may be credited to the Revenue Fund or to any Fund or Account to which such amount or any portion thereof may have been transferred from the Revenue Fund.

Pursuant to the Indenture, the Trustee, the Co-Trustee or the Depository may sell at the best price obtainable, or present for redemption, any security purchased under the Indenture whenever necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the Fund or Account to which such security is credited, and the Trustee, the Co-Trustee and the Depository shall not be liable or responsible for any loss resulting from such investment.

### **Issuance of Additional Series of Bonds; Additional Parity Payment Agreements; Other Payment Agreements**

Additional Bonds. Pursuant to the Indenture, in addition to the initial Series of Bonds, the Authority may by Supplemental Indenture establish one or more other Series of Bonds payable from Revenues on a parity with the initial Series of Bonds and Parity Payment Agreements and secured by a lien upon and pledge of Revenues equal to the lien and pledge securing the initial Series of Bonds and Parity Payment Agreements, and the Authority may issue Bonds of any Series so established, in such principal amount and for such lawful purpose or purposes (including refunding of any Bonds issued under the Indenture and then Outstanding) as is specified by the Authority in said Supplemental Indenture, but only upon compliance by the Authority with the provisions of the Indenture relating to proceedings for issuance of a Series of Bonds and any applicable provisions of any Supplemental Indenture, and subject to the specific conditions precedent to the issuance of any such additional Series of Bonds summarized below:

- (1) No Event of Default has occurred and is then continuing.
- (2) The Supplemental Indenture providing for the issuance of such additional Series of Bonds is to specify the purposes for which such Series is being issued, which will be one or more of the following (1) to provide moneys for deposit into a Construction Account and withdrawal therefrom in accordance with law for purposes other than the refunding of Bonds, or (2) to refund all or part of the Bonds of any one or more Series then Outstanding, by depositing with the Trustee, in trust, moneys or noncallable Federal Securities in the necessary amount to discharge all liability of the Authority with respect to the Bonds to be refunded as provided in the provisions of the Indenture summarized in “—Defeasance” and to make any payment necessary or desirable in connection with the termination of any Related Payment Agreement in connection with such refunding.
- (3) The Supplemental Indenture providing for the issuance of such additional Series of Bonds is to require that the amount in the applicable Bond Reserve Account be increased, if and to the extent necessary, to an amount at least equal to the Bond Reserve Account Requirement for such Series. Said deposit may be made from such proceeds or any other source, as provided in the provisions of the Indenture relating to allocation of Revenues and application of Bond Reserve Accounts, and said Supplemental Indenture.
- (4) The aggregate principal amount of Bonds issued under the Indenture is not to exceed any limitation imposed by law or by any Supplemental Indenture.
- (5) The representations and estimates set forth in the certificates and written reports required by the provisions of Indenture relating to proceedings for issuance of a series of bonds and relating to parity payment agreements for such Series have been made by the parties required to give such certificates and written reports.

For a description of the certificates and written reports to be provided in connection with the issuance of a Series of Additional Bonds, see “SECURITY AND SOURCES OF PAYMENT—Additional Bonds” in the front part of this Official Statement.

Parity Payment Agreements. The Authority may enter into Parity Payment Agreements payable from Revenues on a parity with the Bonds and other Parity Payment Agreements and secured by a lien upon and pledge of Revenues equal to the lien and pledge securing the Bonds and other Parity Payment Agreements, but only upon compliance by the Authority with the provisions of the Indenture relating to proceedings relating to Parity Payment Agreements and any applicable provisions of any Supplemental Indenture, and subject to the specific conditions precedent to entering into by the Authority of any Parity Payment Agreement:

- (1) No Event of Default has occurred and is then continuing.
- (2) The representations and estimates set forth in the certificates and written reports required by the Indenture provisions relating to proceedings relating to Parity Payment Agreements have been made by the parties required to give such certificates and written reports.
- (3) The Authority and the Trustee have executed and delivered a Supplemental Indenture designating such agreement as a Parity Payment Agreement and the Bonds to which such Parity Payment Agreement is Related.

The Indenture provides that if and to the extent that a Parity Payment Agreement, other than a Parity Payment Agreement all payments pursuant to which have been taken into account for purposes of determining that the requirements summarized above have been satisfied with respect to the issuance of the Related Bonds, is being entered into, either (i) a certificate of an Independent Certified Public Accountant that Aggregate Annual Debt Service for each Fiscal Year thereafter will be less than or equal to Aggregate Annual Debt Service for each such Fiscal Year in the absence of such Parity Payment Agreement, or (ii) the certificates and reports required by provisions of the Indenture with respect to the issuance of Additional Bonds are required to be provided, in each case treating such Payment Agreement as in effect for purposes of any calculations. For a description of such certificates and written reports, see “SECURITY AND SOURCES OF PAYMENT—Additional Bonds” in the front part of this Official Statement.

Other Payment Agreements. In addition to Parity Payment Agreements, the Authority may enter into Payment Agreements payable from Revenues after and subordinate to the payment from Revenues of payments with respect to the Bonds and Parity Payment Agreements, but only upon compliance by the Authority with any applicable provisions of any Supplemental Indenture and any such agreement is to constitute a Payment Agreement upon execution and delivery by the Authority and the Trustee of a Supplemental Indenture designating such agreement as a Payment Agreement and the Bonds to which such Payment Agreement is Related.

### **Certain Covenants**

Payment of Principal and Interest. The Authority covenants in the Indenture to punctually pay or cause to be paid the principal and interest (and premium, if any) to become due in respect of every Bond issued under the Indenture at the times and places and in the manner provided therein and in the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, but solely from Revenues and other moneys held in trust under the Indenture, as provided therein.

Against Encumbrances. The Authority covenants in the Indenture that, subject to any rights of the United States of America and except as otherwise set forth in the Indenture, the Authority will not mortgage or otherwise encumber, pledge or place any charge upon the Airport or any part thereof, or upon any of the Revenues, prior to or on a parity with the Bonds, the Parity Payment Agreements and Credit Agreement Payments.

So long as any Bonds are Outstanding, the Authority will not issue any bonds or obligations payable from Revenues or secured by a pledge, lien or charge upon Revenues prior to or on a parity with the Bonds, the Parity Payment Agreements and the Credit Agreement Payments, other than the Bonds, the Parity Payment Agreements and the Credit Agreement Payments.

Except as otherwise set forth in a Supplemental Indenture, nothing in the Indenture, and particularly nothing in the provisions of the Indenture summarized in the preceding two paragraphs, will prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness which as

to principal or interest, or both, (1) are payable from Revenues after and subordinate to the payment from Revenues of the principal of and interest on the Bonds, the Parity Payment Agreement Payments and Credit Agreement Payments, or (2) are payable from moneys which are not Revenues as such term is defined in the Indenture.

Sale or Other Disposition of Property. Pursuant to the Indenture, the Authority and the Government will not sell or otherwise dispose of the Airport or any part thereof, or permit others to sell or otherwise dispose of the Airport or any part thereof, essential to the proper operation of the Airport or to the collection of Revenues sufficient to pay debt service on the Bonds, Parity Payment Agreement Payments and Credit Agreement Payments and otherwise comply with the provisions of the Indenture summarized below under “—Rate Covenant.” The Authority covenants in the Indenture that it will not enter into any lease or agreement which impairs the operation of the Airport or impedes the collection of Revenues sufficient to pay debt service on the Bonds, Parity Payment Agreement Payments and Credit Agreement Payments and otherwise comply with the Indenture.

Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Airport, or any material or equipment which has worn out, may be sold at a price not less than the fair market value thereof if such sale will not reduce Net Revenues and if the net proceeds of such sale are deposited in the Revenue Fund.

Operation and Maintenance of the Airport. The Authority covenants in the Indenture that it will maintain and preserve the Airport in good repair and working order at all times from the Revenues available for such purposes, in conformity with prudent management and standards customarily followed in the aviation industry for airports of like size and character. The Authority further covenants that it will from time to time make all necessary and proper repairs, renewals, replacements and substitutions to the properties of the Airport, so that at all times business carried on in connection with the Airport shall and can be properly and advantageously conducted in an efficient manner and at reasonable cost. The Authority covenants in the Indenture to operate the Airport in an efficient and economical manner, consistent with the protection of the Owners of the Bonds and so as to assure that the Airport will be financially self-sufficient and self-sustaining. The Authority further covenants that it will not commit or allow any waste with respect to the Airport.

Liens and Claims. Subject to any rights of the United States of America, the Authority covenants in the Indenture to keep the Airport and all parts thereof free from judgments, from mechanics’ and materialmen’s liens and from all liens and claims of whatsoever nature or character, to the end that the security provided pursuant to the Indenture may at all times be maintained and preserved, and to keep the Airport and the Revenues free from any liability which might hamper the Authority in conducting its business or operating the Airport. The Trustee or and Co-Trustee at its option (after first giving the Authority ten days’ written notice to comply therewith and failure of the Authority to so comply within said ten-day period) may defend against any and all actions or proceedings in which the validity of the Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against such actions or proceedings or in paying or compromising such claims or demands, the Trustee or the Co-Trustee will not in any event be deemed to have waived or released the Authority from liability for or on account of any of its covenants and warranties contained in the Indenture, or from its liability thereunder to defend the validity thereof and the pledge in the Indenture made and to perform such covenants and warranties.

The use agreements, operating agreements and terminal building leases between the Authority and any airline relating to the use by such airline of the Airport and all rights of any airline thereunder are required to be expressly subordinated and subject to the lien of the Indenture.

Insurance. The Authority covenants in the Indenture to maintain or to cause to be maintained insurance on the Airport with responsible insurers in such amounts and against such risks (including accident to or destruction of the Airport) as are usually maintained by prudent operators of airports similar and similarly situated to the Airport and which it will deem advisable or necessary to protect its interests and the interests of the Bondowners so long as such insurance is available to the Authority on the open market from responsible insurers at reasonable cost. In the event of any damage to or destruction of the Airport caused by the perils covered by such insurance, the proceeds of such insurance are to be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Airport; and the Authority is also required to cause such repair, reconstruction or replacement to begin promptly after such damage or destruction will occur and to continue and to be properly completed as expeditiously as possible. If

the proceeds received by reason of any such loss will exceed the costs of such repair, reconstruction or replacement, the Authority is to deposit such excess in the Capital Improvement Fund. Notwithstanding the foregoing summarized provisions of the Indenture, if the proceeds of such insurance, together with other moneys available for such purpose, are sufficient to enable the Authority to retire all Outstanding Bonds, whether at maturity or on redemption prior to maturity or any combination thereof, and to pay the Parity Payment Agreement Payments and any Termination Amount payable by the Authority pursuant to Parity Payment Agreements in connection with a termination thereof, and to pay any Credit Agreement Payments then due and payable, the Authority may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Airport, and thereupon, the proceeds of such insurance are to be applied by the Authority and the Trustee to the payment when due of the interest to become due on all Outstanding Bonds on and prior to the maturity date or redemption date thereof, as the case may be, to the payment of the principal of and redemption premiums, if any, on all Outstanding Bonds at maturity or on redemption prior to maturity, as the case may be, and to the payment of such Parity Payment Agreement Payments and any such Termination Amounts, as the case may be, when due and to pay any Credit Agreement Payments then due and payable.

The Authority is required to maintain such other insurance which it will deem advisable or necessary to protect its interests and the interests of the Bondowners, which insurance is required to afford protection in such amounts and against such risks as are usually maintained by prudent operators of airports similar to the Airport.

Any insurance required under the Indenture may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner customarily maintained by prudent operators of airports similar to the Airport. The Authority covenants in the Indenture to, every third year, engage an insurance consultant to review the Authority's self-insurance program and to make recommendations for any necessary modifications, including, but not limited to, any modifications necessary to comply with the Indenture. Each such report is to be filed with the Trustee.

Books and Accounts; Financial Statements. The Authority covenants to keep proper books of record and accounts, separate from all other records and accounts, in which complete and correct entries will be made of all transactions relating to the Airport. Such books of record and accounts are at all times during business hours to be subject to the inspection of the Trustee or of any Owner of Bonds then Outstanding or their representatives authorized in writing, at reasonable hours and under reasonable conditions.

The Authority is required to prepare and file with the Trustee annually within five months after the close of each Fiscal Year so long as any of the Bonds are Outstanding --

(1) financial statements for the preceding Fiscal Year, prepared in accordance with (i) the accounting requirements of the Indenture and (ii) generally accepted accounting principles applied on a consistent basis from year to year, including a balance sheet, statement of income, statement of retained earnings, and statement of changes in financial position (including a statement of revenue, expenditures and fund balances for each of the Funds and Accounts established pursuant to the Indenture, including any accounts or subaccounts for Passenger Facility Charges), and including a reconciliation between the bases of accounting required under clauses (i) and (ii) above, which financial statements are required to be examined by and include the certificate or opinion of an Independent Certified Public Accountant, such certificate or opinion to include a statement as to the manner and extent to which the Authority has complied with the provisions of the Indenture as it relates to said financial statements; and

(2) a statement as to all insurance carried by the Authority as of the end of such Fiscal Year, including a brief description of the amount and coverage of each insurance policy and the name of the insuring company.

The Authority covenants to furnish a copy of the aforesaid statements to any Credit Provider and to any Bondowner upon request.

Authority Budgets. The Authority is required to prepare and adopt an annual budget for each Fiscal Year. Such budget is required to set forth in reasonable detail the Revenues anticipated to be derived in such Fiscal Year and the expenditures anticipated to be paid or provided for therefrom in such Fiscal Year including, without limitation, the amounts required to provide for the payment of the principal of, interest and redemption premium, if any, on the Bonds during such Fiscal Year, to pay or provide for Operation and Maintenance Expenses of the Airport for such Fiscal Year, to make up any deficiencies in any Fund or Account anticipated for the then current Fiscal Year, and to

pay or provide for the payment of all other claims or obligations required to be paid from Revenues in such Fiscal Year, and will show that Net Revenues will be at least adequate to satisfy the rate covenant requirements as set forth in the Indenture. The Authority is to supply to the Trustee, the Revenue Fund Depository, any Credit Provider and any Bondowners who will so request in writing a copy of the annual budget for the then current Fiscal Year. Such budget also is required to be open for inspection by any Owner during normal business hours. The Authority may at any time adopt a revised annual budget and will supply copies as aforesaid.

Maintenance of Revenues. The Authority covenants in the Indenture that it will promptly collect all rents and charges due for the occupancy or use of the Airport as the same become due, and will promptly and vigorously enforce its rights against any tenant or other person who does not pay such rents or charges as they become due. The Authority also covenants that it will, in a prudent manner, maintain and vigorously enforce all of its rights under any leases and other agreements relating to any part of the Airport.

Payment of Taxes, Etc. The Authority covenants in the Indenture to pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges which may after the date of the Indenture be lawfully imposed upon the Authority on account of the Airport or any portion thereof or upon any Revenues and which, if unpaid, might impair the security of the Bonds, when the same will become due, but nothing contained in the Indenture will require the Authority to pay any such tax, assessment or charge so long as it will in good faith contest the validity thereof. The Authority will duly observe and conform to all valid requirements of any governmental authority having jurisdiction over the Authority or the Airport or any part thereof.

Acquisition and Construction of Improvements. The Authority will commence and will continue to completion the acquisition and construction of the improvements to the Airport proposed to be financed from any Series of Bonds, and said improvements will be acquired, constructed and completed in a sound and economical manner and in conformity with law.

Eminent Domain Proceeds. If all or any part of the Airport shall be taken by or under threat of eminent domain proceedings, the net proceeds realized by the Authority therefrom (excluding any portion thereof payable to the United States of America or required by the United States of America to be deposited in a restricted fund) are required to be deposited by the Treasurer in a special fund in trust and applied and disbursed by the Treasurer subject to the following conditions:

(A) If such proceeds are sufficient to provide for the payment of the entire amount of principal due or to become due upon all of the Bonds, together with all of the interest due or to become due thereon and any redemption premiums, and all amounts payable under Parity Payment Agreements (including Termination Amounts) and all Credit Agreement Payments then due and payable so as to enable the Authority to retire all of the Bonds, either by redemption at the then current redemption prices or by payment at maturity or partly by redemption prior to maturity and partly by payment at maturity, and terminate such Parity Payment Agreements and discharge such obligations with respect to such Credit Agreement Payments, the Treasurer is required to transfer such moneys to the Trustee who is required to apply such moneys to such retirement and to the payment of such amounts. The balance of such moneys, if any, are required to be transferred back to the Authority and to be deposited in the Capital Improvement Fund.

(B) If such proceeds are insufficient to provide the moneys required for the purposes set forth in the provisions of the Indenture summarized in foregoing subsection (A), the Authority by resolution is to determine to apply such proceeds for one of the following purposes, subject to the conditions set forth in the provisions of the Indenture summarized in this subsection (B):

(1) The Authority may determine to apply such proceeds to the purchase or redemption of Bonds then Outstanding and to the payment of Credit Agreement Payments then due and payable. In that event, the Treasurer will transfer such proceeds to the Trustee, who will apply such proceeds pro rata to the redemption or purchase of Bonds of each Series then Outstanding in the proportion which the principal amount of outstanding Bonds of each Series bears to the aggregate principal amount of all Bonds then Outstanding.

(2) The Authority may determine to apply such proceeds to the cost of additions or improvements to or extensions of the Airport if the Authority first secures and files with the Trustee a report of an Independent Airport Consultant (a) showing (i) the loss in annual Revenues, if any, suffered or to be suffered, by the

Authority by reason of such eminent domain proceedings, (ii) a general description of the additions, improvements or extensions then proposed to be acquired by the Authority from such proceeds, and (iii) an estimate of the additional Revenues to be derived from such additions, improvements or extensions; and (b) determining that such eminent domain proceedings will not substantially impair the ability of the Authority to meet its obligations under rate covenant in the Indenture. The Authority is required then promptly to proceed with the construction of the additions, improvements or extensions substantially in accordance with such report. Payments for such construction will be made by the Authority from such proceeds. Any balance of such proceeds not required by the Authority for the purposes aforesaid will be deposited in the Capital Improvement Fund.

Rate Covenant. The Authority covenants in the Indenture to at all times fix, prescribe and collect rents, fees and charges in connection with the services and facilities furnished by the Airport which will be sufficient to yield the sum of Net Revenues plus Other Available Moneys during each Fiscal Year equal to at least 1.25 times the Aggregate Annual Debt Service for such Fiscal Year and to yield Revenues during each Fiscal Year equal to at least the aggregate amount of all transfers required by the provisions of the Indenture summarized under “—Allocation of Revenues” for such Fiscal Year.

If the financial statements prepared pursuant to the Indenture reflect that (or if the Authority’s other books and records at the time such statements are due under the Indenture reflect that) at the end of a Fiscal Year the sum of Net Revenues plus Other Available Moneys have been less than 1.25 times Aggregate Annual Debt Service for such Fiscal Year, or if Revenues have been less than the aggregate amount of all transfers required by the Indenture for such Fiscal Year, the Authority will promptly employ an Airport Consultant to make recommendations as to a revision of such rates, fees and charges or the methods of operation of the Airport. The Authority is required, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law and subject to a good faith determination of the Board that such recommendations, in whole or in part, are in the best interests of the Authority, the Owners and each Credit Provider, to revise such rates, fees and charges or methods of operation and will take such other actions as will be in conformity with such recommendations.

If the Authority complies in all material respects with the reasonable recommendations of the Airport Consultant with respect to said rents, fees, charges and methods of operation or collection, or makes a good faith determination that such recommendations are not in the best interests of the Authority, the Authority will be deemed to have complied with the provisions of the Indenture summarized in this subsection for such Fiscal Year; provided, that Net Revenues in no event have been less than Aggregate Annual Debt Service for such Fiscal Year.

The Authority is permitted under the Indenture to make adjustments from time to time in its rentals, rates, fees and charges and may make such classification thereof as it deems necessary, but may not reduce such rentals, rates, fees and charges below those then in effect unless the Revenues from such reduced rates will at all times be sufficient to meet the rate covenant requirements of the Indenture.

Observance of Laws and Regulations. The Authority covenants in the Indenture to comply promptly, fully and faithfully with and abide by any contract relating to or affecting the availability of any grant or other similar assistance and any statute, law, ordinance, order, rule, regulation, judgment, decree, direction or requirement now in force or after the date of the Indenture enacted, adopted or entered by any competent governmental authority or agency applicable or with respect to or affecting the acquisition, construction or reconstruction of the Airport or any part thereof or applicable or with respect to or affecting the operation, manner, use or condition of the Airport or any part or parcel thereof or adjoining public ways or relating to the imposition of charges or collection of Revenues; provided that the Authority need not comply with any such contract, statute, law, ordinance, rule, regulation, judgment, decree, direction or requirement if and so long as the Authority in good faith shall be contesting or permitting or causing to be contested the applicability or validity thereof by appropriate proceedings diligently prosecuted, even though such contest may result in the imposition of a lien or charge against the Airport or the Revenues, if (1) the Authority effectively prevents foreclosure or enforcement of any such lien or charge and (2) the foreclosure or enforcement of any such lien or charge is stayed, and if said stay thereafter expires, the Authority is required to forthwith discharge such lien or charge or cause the same to be discharged, so that pending such proceedings the Airport and the Revenues thereof will not be affected thereby, and the security of the Bonds will not be impaired.

Prosecution and Defense of Suits. The Authority covenants in the Indenture promptly from time to time to take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Airport

developing after the date of the Indenture, and to prosecute all such suits, actions and other proceedings as may be appropriate for such purposes and, to the extent permitted by law, to indemnify and save the Trustee and every Bondowner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Retention of Airport Consultant. The Authority covenants in the Indenture to retain one or more Independent Airport Consultants for the following purposes, in addition to any other purposes for which an Airport Consultant is required under the Indenture: (A) to review and advise upon the budget adopted pursuant to the Indenture and any annual Capital Improvement program of the Authority; (B) to review and advise upon the rents, fees and charges established pursuant to the rate covenant provisions of the Indenture; (C) to prepare an annual management report upon the operations of the Airport and upon the Authority's compliance with the rate covenant provisions of the Indenture; and (D) otherwise to advise the Authority upon request with respect to any matter relating to the Airport.

Any Supplemental Indenture or Credit Agreement entered into in connection with Bonds may provide that the Credit Provider with respect thereto has the right to direct the Authority to remove the Airport Consultant and appoint a successor under the circumstances specified therein.

Special Facility Bonds and Special Facility Leases. Anything in the Indenture to the contrary notwithstanding, the Authority may enter into contracts, leases, subleases or other agreements pursuant to which the Authority agrees to construct a Special Facility on land constituting part of the Airport or agrees to acquire or construct a Special Facility on land not then constituting part of the Airport (which land if not then owned or leased by the Authority may be acquired for such purpose), or to acquire and remodel, renovate or rehabilitate a building, structure or other facility (including the site thereof) for a Special Facility, and lease such Special Facility under the conditions summarized below:

(A) No Special Facility is to be constructed or acquired and leased for use or occupation under the Indenture: (1) if the Special Facility would provide services, facilities, commodities or supplies which then may be adequately made available through the Airport as then existing, and (2) if the result of the use or occupation of such Special Facility under the contract, lease, sublease or agreement therefor would result in a reduction of Revenues below the minimum amount of Revenues covenanted to be produced and maintained in accordance with the rate covenant provisions of the Indenture; and

(B) If a Special Facility is located on land included in the Airport, upon the retirement of the indebtedness evidenced by the Special Facility Bonds issued therefor or evidenced by refunding Special Facility Bonds (which may be issued to refund Special Facility Bonds), all rentals and other income thereafter received by the Authority from the Special Facility for which Special Facility Bonds were issued, to the extent permitted by law, are to constitute Revenues and to be paid into the Revenue Fund, to be used and applied as are other moneys deposited therein, and if such rentals and other income then constitute Revenues, such Special Facility, unless contrary to law, is to then constitute part of the Airport for all purposes of the Indenture.

Pledge and Agreement by Government. Pursuant to the Indenture the Government pledges to and agrees with the holders of all Bonds that the Government will not (A) limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with the Bondowners, (B) in any way impair the rights and remedies of the Bondowners, (C) acquire, operate or maintain or permit any instrumentality of the Government or any other public or private agency, entity or person to acquire, operate or maintain within the territory of Guam any airport facility competitive with the Airport, (D) do or (within its power) permit any act that would impair the capacity of the Airport or its airfield in any manner materially adverse to the interests of the Bondholders, or (E) transfer any additional non-Airport operating responsibilities to the Authority without providing for the payment of the costs of such additional responsibilities.

## **Redemption**

Pursuant to the Indenture any Series of Bonds may be made subject to redemption prior to maturity, as a whole or in part, at such time or times, and upon payment of the principal amount thereof plus such premium or premiums, if any, as may be determined by the Authority at the time such Series is authorized and as shall be set forth in the Supplemental Indenture authorizing such Series; provided, however, that such Supplemental Indenture shall

provide that the Authority shall have the right, on any date, to redeem the Bonds of any such Series, as a whole, or in part so that the reduction in Annual Debt Service for the Bonds of such Series for each Bond Year after such redemption shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the Airport or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the Airport, under the circumstances and upon the conditions and terms set forth in the Indenture, at the principal amount thereof plus interest accrued thereon, without premium.

For purposes of selecting Bonds for redemption, Bonds shall be deemed to be composed of portions equal to their respective minimum authorized denomination, and any such portion may be separately redeemed. The applicable Registrar shall promptly notify the Authority, the Trustee and the Co-Trustee in writing of the Bonds or portions thereof selected for redemption. In the event that less than all of the Bonds of any Series and maturity are to be redeemed, the Bonds (or portions thereof) to be redeemed shall be selected by the Authority or, in the absence of such a selection by the Authority, by the applicable Registrar by lot within such maturity in such manner as the Registrar may determine. The amount of each Series and maturity of the Bonds to be redeemed shall be determined by the applicable provisions of the Indenture or the applicable Supplemental Indenture or, if permitted, by Request of the Authority. In addition, a Supplemental Indenture providing for the issuance of Additional Bonds may specify any other method or order of selection of such Additional Bonds for redemption, subject to the requirements of the Indenture.

Notice of redemption (except as provided in the Indenture) shall be given, not less than thirty (30) nor more than sixty (60) days before the date fixed for redemption, by first class mail to each of the registered owners of Bonds designated for redemption at their addresses appearing on the Bond registration books of the applicable Registrar on the date the Bonds to be redeemed are selected. Each notice of redemption shall state the redemption date, the place or places of redemption, the Series and maturities to be redeemed, and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered, with a written instrument of transfer duly executed by the registered owner thereof or by such registered owner's attorney duly authorized in writing. No defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of such Bonds. Each notice of redemption shall also state the CUSIP number, date of issue and interest rate on each Bond, or portion thereof, to be redeemed, and shall include the redemption agent name and address; provided, however, that failure to include any of such information in any redemption notice, or any inaccuracy in any such information, shall not affect the sufficiency of the proceedings for redemption of any Bonds. Notice of redemption of Bonds shall be given by the applicable Registrar for and on behalf of the Authority. A Supplemental Indenture providing for the issuance of Bonds may provide that notice of the redemption of such Bonds shall be given at times and in a manner different from that specified in this paragraph. The Indenture provides that Authority may, at its option and expense, prior to the date fixed for redemption in any notice of redemption rescind and cancel such notice of redemption.

Upon surrender of any Bond redeemed in part only, the Indenture provides that the Authority shall execute and the applicable Registrar shall authenticate and deliver to the registered owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations, and of the same Series, maturity and tenor, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Notice of redemption having been duly given as provided in the Indenture, and moneys being held by the Trustee, the Co-Trustee or Paying Agents for payment of the Redemption Price of, and interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption on the redemption date designated in such notice, such Bonds (or such portions) shall become due and payable at the Redemption Price specified in such notice plus interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest. All Bonds purchased or redeemed pursuant to the provisions of the Indenture are required by the Indenture to be cancelled upon surrender thereof and delivered to or upon the Order of the Authority.

## Events of Default and Remedies of Bondowners

Events of Default. Any one or more of the following events are Events of Default under the Indenture:

(1) if default is made in the due and punctual payment of the principal of, or the premium (if any) on, any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, or otherwise, or if default is made in the redemption or payment at maturity from any Sinking Account of any Term Bonds in the amounts and at the times provided therefor;

(2) if default is made in the due and punctual payment of any installment of interest on any Bond or any Parity Payment Agreement Payment when and as such interest installment or Parity Payment Agreement Payment becomes due and payable;

(3) if default is made by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained or by the Government in the observance of its covenant in the Indenture, and such default shall have continued for a period of thirty (30) days after notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or by a Credit Provider, or to the Authority and the Trustee by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or

(4) if the Authority files a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction approves a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property.

Remedies Upon Default. In each and every case during the continuance of an Event of Default, the Trustee in its own name and as Trustee of an express trust, on behalf and for the benefit and protection of the Bondowners, after notice to the Authority, and upon the request of the Owners of a majority in Accreted Value of the Bonds then Outstanding, is required to proceed to protect and enforce any rights of the Trustee and, to the full extent that the Bondowners themselves might do, the rights of such Bondowners under the Indenture and under the laws of the Government by such of the following remedies as such majority deems most effectual to protect and enforce such rights: (1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondowners, including the right to require the Authority to charge, prescribe and collect Revenues adequate to comply with the covenants and agreements made in the Indenture, and to require the Authority to carry out any other covenant or agreement with the Bondowners and to perform its duties under the Act; (2) by bringing suit upon the Bonds; (3) by action or suit in equity, to require the Authority to account as if it were the trustee of an expressed trust for the Bondowners; (4) by realizing or causing to be realized through sale or otherwise upon the moneys, securities and other assets pledged under the Indenture; (5) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondowners; (6) by requiring the Authority to endorse all checks and other negotiable instruments representing Revenues to the order of the Trustee immediately upon the receipt thereof and to deliver such endorsed instruments daily to the Trustee; (7) by notifying any or all account debtors of the Authority to pay any amounts representing Revenues, when due, directly to the Trustee as Trustee; and (8) by commencing proceedings for the appointment of a receiver or receivers of the Airport and of the Revenues, with such powers as the court making such appointment confers.

Application of Funds Upon Default. All of the Revenues, all amounts in all of the Funds and Accounts provided for in the Indenture (except any escrow fund established for the payment of any refunded obligations), upon the date of the declaration of an Event of Default as provided in the Indenture and all sums thereafter received by the Authority or the Trustee under the Indenture, if received by the Authority, are required to be transmitted to the Trustee and be applied by the Trustee as and in the order of priority provided in the provisions of the Indenture summarized under “—Allocation of Revenues” and “—Funds and Accounts—Bond Reserve Accounts”; provided, however, that (A) if amounts in the Debt Service Fund are insufficient to pay, when due, all interest on, principal of, and Mandatory Sinking Account Payments on all Bonds then Outstanding and all Parity Payment Agreement Payments pursuant to Parity Payment Agreements then Outstanding and all Credit Agreement Reimbursement Payments due and payable

pursuant to Credit Agreements then Outstanding, then such amounts in the Debt Service Fund are required to be used first to pay all installments of interest then due and owing without preference or priority of any such installment of interest over any other installment of interest, then to pay installments of principal and Mandatory Sinking Account Payments then due and owing, without preference or priority of any installment of principal or Mandatory Sinking Account Payments over any other such installment, then to pay all Credit Agreement Reimbursement Payments then due and payable, and then to pay Parity Payment Agreement Payments then due and owing, without preference or priority of any Parity Payment Agreement Payment over any other such Parity Payment Agreement Payment; and (B) amounts in Construction Accounts may be used for the purposes for which such Construction Accounts were created and funded if the Trustee determines, in accordance with the Indenture, that such use is in the best interests of the Bondholders and the Credit Providers.

If any installment of interest, principal or Redemption Price is only partially paid, such payment is to occur only upon presentation of the several Bonds and the recording thereon of a record of such partial payment.

Representation of Bondowners by Trustee. In case one or more of the Events of Default will happen, then and in every such case the Owner of any Bond at the time Outstanding will be entitled to proceed to protect and enforce the rights vested in such Owner by the Indenture by such appropriate judicial proceeding as such Owner will deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the exercise of any power granted in the Indenture, or to enforce any other legal or equitable right vested in the Owners of Bonds by the Indenture or by law; provided, however, that no such Bondowner will have the right to institute any such judicial proceeding pursuant to the Indenture unless (A) such Owner will have previously given to the Trustee notice of the occurrence of an Event of Default under the Indenture; (B) the Owners of at least a majority in Accreted Value of the Bonds then Outstanding will have made request to the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (C) such Owner or said Owners will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (D) the Trustee will have refused or omitted to comply with such request for a period of sixty days after such request will have been received by, and said tender of indemnity will have been made to, the Trustee. The provisions of the Indenture will constitute a contract with the Owners of the Bonds, and such contract and duties of the Authority and of the Authority members, officers and employees thereof will be enforceable by any Bondowner by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Nothing in the provisions of the Indenture summarized in this section will affect or impair the right of any Owner to enforce the payment of principal of and interest on such Owner's Bonds or the obligation of the Authority to pay the principal of and interest on each such Bond at the time and place specified in such Bond.

Nonwaiver. Nothing in the Indenture, or in the Bonds, will affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and the interest (and premium, if any) on the Bonds to the respective Owners of the Bonds at the respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues therein pledged for such payments, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default or breach of duty or contract by any Bondowner will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on the subsequent default or breach. No delay or omission of the Trustee or of any Owner of any of the Bonds to exercise any right or power arising upon the happening of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the Act or the Indenture to the Trustee or to the Owners of Bonds or any Credit Provider may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners of Bonds or any such Credit Provider.

Actions by Trustee as Attorney-in-Fact. Pursuant to the Indenture, any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated (notwithstanding any conditions upon the bringing of any such action, suit or proceeding described above) and the Trustee is appointed in the Indenture (and the successive respective Owners of the Bonds issued under the Indenture, by taking and holding

the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action, or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or to the Owners of Bonds or to any Credit Provider in the Indenture is intended to be exclusive of any other remedy. Every such remedy is cumulative and is in addition to every other remedy given under the Indenture or existing, at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

## **The Fiduciaries**

Appointment of Co-Trustees. The Authority may, with the consent of each Credit Provider, appoint one or more Co-Trustees in connection with the issuance of a Series of Bonds or under the circumstances described in the Indenture. Any Co-Trustee may be appointed for the purpose of receiving moneys which the Authority is required to deposit or cause to be deposited with the Trustee under the Indenture, to hold in trust, allocate, use and apply the same as provided in the Indenture and otherwise to hold any or all the offices and to perform any or all the functions and duties provided in the Indenture to be held and performed by the Trustee. Each Co-Trustee is to signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering a written acceptance thereof, and by executing and delivering such a Supplemental Indenture, such Co-Trustee is deemed to have accepted such duties and obligations, but only upon the terms and conditions set forth in the Indenture.

The execution by any Co-Trustee of a Supplemental Indenture providing for the issuance of an additional Series of Bonds is not required, unless such Supplemental Indenture: (a) amends one or more provisions of the Indenture or in any way adds to, eliminates or alters any right, duty or obligation of such Co-Trustee under the Supplemental Indenture other than by providing for the issuance of an additional Series of Bonds; (b) appoints such Co-Trustee as a Paying Agent or Registrar; or (c) directs the Co-Trustee to hold all or any portion attributable to such Series of one or more of the funds or accounts created under or pursuant to the Indenture.

The Authority, the Trustee and each Co-Trustee are required to establish such accounting, notice and other relationships as are necessary to provide for the operation of the accounts created under or pursuant to the Indenture, and the handling of the Revenues credited thereto in accordance with the Indenture.

Duties, Immunities and Liabilities of Fiduciaries. (A) The Trustee and the Co-Trustee, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, are required to perform such duties and only such duties as are specifically set forth in the Indenture for each to perform. The Trustee and the Co-Trustee, during the existence of any Event of Default which has not been cured, are required to exercise such of the rights and powers vested in them by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(B) Each Depositary, Registrar and Paying Agent will, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture, and, during the existence of any Event of Default (which has not been cured), are required to follow the directions of the Trustee with respect to any of the Funds and Accounts held under the Indenture.

(C) The Authority may remove any Fiduciary at any time unless an Event of Default shall have occurred and then be continuing, and is required to remove a Fiduciary if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in Accreted Value of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time such Fiduciary will cease to be eligible in accordance with the provisions of the Indenture summarized below in subsection (F) below, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of such Fiduciary or its property is appointed, or any public officer takes control or charge of such Fiduciary or its property or affairs for the purpose of rehabilitation, conservation or liquidation; in each case by giving notice of such removal to such Fiduciary and thereupon will be required to appoint a successor Trustee, Co-Trustee, Depositary, Registrar or Paying Agent, as the case may be, by an instrument in writing. Any Supplemental Indenture or Credit Agreement entered into in connection with Bonds may

provide that the Credit Provider with respect thereto has the right to direct the Authority to remove any Fiduciary and appoint a successor under the circumstances specified therein.

(D) Any Fiduciary may at any time resign by giving notice of such resignation to the Authority the other Fiduciaries and each Credit Provider. Subject to the provisions of any Supplemental Indenture or Credit Agreement, upon receiving such notice of resignation, the Authority will be required to promptly appoint a successor Trustee, Co-Trustee, Depository, Registrar or Paying Agent, as the case may be, by an instrument in writing.

(E) Any such removal or resignation and appointment of a successor Fiduciary will become effective upon acceptance of appointment by the successor. Promptly upon such acceptance, the Authority will be required to give notice thereof to each Fiduciary, to each affected Credit Provider and to the affected Bondowners by mail in the manner provided by the Indenture. If no successor has been appointed and has accepted appointment within forty-five (45) days after giving notice of removal or notice of resignation as aforesaid, the resigning Fiduciary or any Bondowner (on behalf of such Bondowner and all other Bondowners) or any Credit Provider may petition any court of competent jurisdiction for the appointment of a successor, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor. Any such successor appointed under the Indenture will signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor a written acceptance thereof (which may be a Supplemental Indenture), and thereupon such successor, without any further act, deed or conveyance, will become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor, with like effect as if originally named in the Indenture; but, nevertheless, at the Request of the Authority or the request of the successor, such predecessor will be required to execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor all the right, title and interest of such predecessor in and to any property held by it under the Indenture and will pay over, transfer, assign and deliver to the successor any money or other property subject to the trusts and conditions therein set forth. Upon request of the successor, the Authority will be required to execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor all such moneys, estates, properties, rights, powers, trusts, duties and obligations.

(F) The Trustee appointed under the provisions of the Indenture will be required to meet the requirements of any Supplemental Indenture and any Credit Agreement and will be a trust company or bank having the powers of a trust company doing business and having a corporate trust office in any State or territory and having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal, state or territorial authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the provisions of the Indenture summarized in this section the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee will cease to be eligible in accordance with the provisions of the Indenture summarized in this subsection, it will resign immediately in the manner and with the effect specified in the provisions of the Indenture this section.

The Co-Trustee, Registrar and Paying Agent appointed under the provisions of the Indenture summarized in this section will meet the requirements of any Supplemental Indenture and any Credit Agreement and will be a trust company or bank having trust powers doing business and having a corporate trust office in any State of the United States, and, in the case of the Co-Trustee, having a combined capital and surplus of at least One Hundred Million Dollars (\$100,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the provisions of the Indenture summarized in this section the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Co-Trustee, any Registrar or any Paying Agent will cease to be eligible in accordance with the provisions of the Indenture summarized in this subsection, it will be required to resign immediately in the manner and with the effect specified in the Indenture.

Each Depository appointed under the provisions of the Indenture summarized in this section will be a trust company or commercial bank having the powers of a trust company, having a combined capital and surplus of at least Ten Million Dollars (\$10,000,000), and subject to supervision or examination by federal or territorial authority. If

such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the provisions of the Indenture summarized in this section the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Depository will cease to be eligible in accordance with the provisions of the Indenture summarized in this subsection, the Depository will be required to resign immediately in the manner and with the effect specified in with the provisions of the Indenture summarized in this section. The Authority may enter into a Supplemental Indenture from time to time to provide for a different or additional Depository for any fund or account established under the Indenture.

(G) Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which such Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company will be eligible under the provisions of the Indenture summarized in subsection (F) of this section, will be the successor to such Fiduciary without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding. Any such successor will be required to give notice of such merger, conversion or consolidation to each other Fiduciary and to the Authority.

Liability of Fiduciaries. The recitals of facts in the Indenture and in the Bonds contained will be taken as statements of the Authority, and no Fiduciary assumes any responsibility or liability for the correctness of the same, or makes any representations as to the validity or sufficiency of the Indenture, of the Bonds, of any Credit Facility or of the pledge and assignment of Revenues in the Indenture or any information or statements in any offering memorandum or other disclosure material prepared or distributed in connection with the issuance of Bonds or will incur any responsibility or liability in respect thereof, other than in connection with the duties or obligations therein or in the Bonds assigned to or imposed upon them, respectively.

#### **Modification or Amendment of the Indenture**

Amendments Permitted. The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended at any time by a Supplemental Indenture which will become binding when the consents of the Owners of at least sixty percent (60%) in Accreted Value of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture; provided that if such modification or amendment will, by its terms, not take effect so long as any bonds of any particular maturity or Series remain Outstanding, the consent of the Owners of Bonds of such maturity or Series will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture; and provided further that the consent of a Credit Provider for any Bond will be deemed to be the consent of the Owner of such Bond if specified in the Supplemental Indenture pursuant to which such Credit Provider is designated as providing a Credit Facility for such Bond.

No such modification or amendment may (a) extend the fixed maturities of the Bonds, or extend the time for making any Mandatory Sinking Account Payments, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Owner of each Bond so affected, (b) reduce the aforesaid percentage of Owners of Bonds whose consent is required for the execution of any amendment or modification of the Indenture or permit the creation of any lien on the Revenues prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture upon such Revenues, without in each case the consent of the Owners of all of the Bonds then Outstanding.

No such modification or amendment may modify any of the rights or obligations of any Fiduciary without its consent thereto.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which will become binding upon adoption, without the consent of any Bondowners, but only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed or to surrender any right or power therein reserved to or conferred upon the Authority; (2) to cure, correct or supplement any ambiguous or defective provision contained in the Indenture or in

regard to questions arising under the Indenture, as the Authority may deem necessary or desirable and not inconsistent with the Indenture, and which will not materially adversely affect the interests of the Owners of the Bonds or any Credit Provider; (3) to provide for the issuance of Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture; and (4) to provide for any other matters for which a Supplemental Indenture is expressly permitted or required under the Indenture.

Any Supplemental Indenture providing for the issuance of a Series of Bonds may require, in addition to or in lieu of any consents required by the provisions of the Indenture summarized in this subsection, the consent of any Credit Provider for such Bonds in order for any amendment to the Indenture affecting such Bonds to be effective, and may set forth appropriate procedures for obtaining and evidencing such consent.

Procedure for Amendment with Consent of Bondowners. The Authority may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of the Indenture or any Supplemental Indenture, to the extent that such amendment is permitted by the provisions of the Indenture, to take effect when and as provided in the provisions of the Indenture summarized in this section. A copy of such Supplemental Indenture, together with a request to Bondowners for their consent thereto, is to be mailed by the Authority to each Owner of Bonds, but failure to receive any such copies of such Supplemental Indenture and request will not affect the validity of the Supplemental Indenture when assented to.

Such Supplemental Indenture will not become effective unless there is filed with the Trustee the consents of the Owners of sixty percent (60%) in Accreted Value of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Indenture) and a notice has been published as provided in the Indenture. Each such consent will be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof will be such as is permitted by the Indenture. Any such consent will be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice provided for in the Indenture has been published.

After the Owners of the required percentage of Bonds have filed their consents to the Supplemental Indenture, the Authority is to mail a notice to the Bondowners in the manner provided in the Indenture for the mailing of the Supplemental Indenture and publication of the notice of adoption thereof, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in the Indenture (but failure to receive copies of said notice will not affect the validity of the Supplemental Indenture or consents thereto). A record, consisting of the papers required by the Indenture to be filed with the Trustee, will be proof of the matters therein stated until the contrary is proved.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bondowners upon such notice and in accordance with such rules and regulations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Disqualified Bonds. Bonds owned or held by or for the account of the Authority (but excluding Bonds held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and will not be entitled to consent to or take any other action provided for in the Indenture.

The Authority may adopt appropriate regulations to require each Bondowner, before his consent provided for in the Indenture will be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in the Indenture.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to the provisions of the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

## **Defeasance**

Discharge of Indenture. If the Authority pays and discharges the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

- (1) by well and truly paying or causing to be paid the principal of (including redemption premiums, if any) and interest on all Bonds Outstanding, as and when the same become due and payable (but not including Bonds the principal of or interest on which has been paid by a Credit Provider until said principal and interest will have been paid by the Authority); or
- (2) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Debt Service Fund and the Bond Reserve Accounts, is fully sufficient to pay or redeem all Bonds Outstanding, including all principal, interest and redemption premiums, if any; or
- (3) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding; or
- (4) by depositing with the Trustee, in trust, non-callable Federal Securities in such amount which, in the determination of an Independent Certified Public Accountant, who shall certify such determination to the Trustee and, if so provided in a Supplemental Indenture, any Credit Provider, shall, together with the income or increment to accrue thereon and any other moneys of the Authority made available for such purpose, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates;

and if the Authority will also pay or cause to be paid all other sums payable under the Indenture by the Authority (including all Parity Payment Agreement Payments and any Termination Payments payable in connection with a termination of a Parity Payment Agreement and any Credit Agreement Payments then due and payable) and deliver or have delivered to the Trustee and each Credit Provider an Opinion of Counsel to the effect that upon satisfaction of the other requirements of the provision of the Indenture relating to discharge of Indenture all obligations of the Authority under the Indenture will cease, terminate and be completely discharged, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority signifying its intention to pay and discharge all such indebtedness and that the Indenture and all other obligations of the Authority under the Indenture will cease and terminate, which will be filed with the Trustee), and notwithstanding that any Bonds will not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture and all other obligations of the Authority under the Indenture will cease, terminate and be completely discharged, and the Owners of the Bonds not so surrendered and paid will thereafter be entitled to payment only out of the money or Federal Securities deposited with the Trustee as aforesaid for their payment; subject, however, to the provisions of the Indenture relating to payment of Bonds after the discharge of Indenture. The discharge of the obligations of the Authority under the Indenture will be without prejudice to the rights of the Trustee to charge for and be reimbursed by the Authority for any expenditures which it may thereafter incur in connection with the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, are to be deemed to be paid and retired.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or Federal Securities in the necessary amount to pay or redeem Outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice, then all liability of the Authority in respect of such Bonds will cease, determine and be completely discharged and the Owners thereof will thereafter be entitled only to payment out of the money or Federal Securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture relating to payment of Bonds after the discharge of Indenture.

Payment of Bonds after Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys deposited with the Trustee in trust for the payment of the principal of, or interest or premium on, any Bonds

and remaining unclaimed for five years after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in the Indenture) are then to be repaid to the Authority upon its Request, and the Owners of such Bonds will thereafter be entitled to look only to the Authority for payment thereof, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first publish at least once in a Financial Newspaper or Journal and in a newspaper of general circulation in Guam a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof. In the event of the repayment of any such moneys to the Authority as aforesaid, the Owners of the Bonds in respect of which such moneys were deposited will thereafter be deemed to be general creditors of the Authority for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so repaid to the Authority (without interest thereon).

### **Liability of Authority Limited to Revenues**

Notwithstanding anything in the Indenture contained, the Authority will not be required to advance any moneys derived from any source of income other than the Revenues, for the payment of the principal of or interest on the Bonds, Payment Agreement Payments, Termination Payments and Credit Agreement Payments, for the operation and maintenance of the Airport, for the performance of any covenants contained in the Indenture or for the payment of any obligations under the Indenture, including indemnification. The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds are revenue bonds, payable exclusively from the Revenues as in the Indenture provided. The principal of and interest on the Bonds and any premiums upon the redemption of any thereof are not be a debt of the Authority, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues pledged to the payment thereof as in the Indenture provided.

### **Waiver of Personal Liability**

No Board member, officer, agent or employee of the Authority will be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing contained in the Indenture will relieve any such Board member, officer, agent or employee from the performance of any official duty provided by law.

### **Credit Agreements and Credit Providers**

Anything in the Indenture to the contrary notwithstanding, a Supplemental Indenture providing for the issuance of a Series of Bonds for which a Credit Facility provides supplemental credit support may, so long as such Credit Facility are Outstanding or any Credit Agreement Payments are due and payable with respect thereto, provide additional terms, provisions and limitations not inconsistent with the provisions of the Indenture for the protection and benefit of the related Credit Provider.

## **Summary of Certain Provisions of the Seventh Supplemental Indenture**

### **Designation of Bond Reserve Account Requirement for 2024 Bonds**

The 2024 Bonds are designated in the Seventh Supplemental Indenture as 2013 Bond Reserve Account Bonds and the Bond Reserve Account Requirement applicable to the 2024 Bonds is the 2013 Bond Reserve Account Requirement.

### **Establishment and Application of 2021 Series Purchased Bonds Account**

The Indenture establishes within the Construction Fund the “2021 Series A Purchased Bonds Account,” which will be held by the Co-Trustee, as Depositary therefor for the purpose of purchasing the Target Bonds to be refunded.

### **Establishment and Application of 2024 Series Costs of Issuance Account**

Pursuant to the Seventh Supplemental Indenture, the Trustee is required to establish within the Construction Fund and maintain and hold in trust under the Indenture one or more separate accounts designated as the “2024 Series Costs of Issuance Account” (with such further designations, if any, as provided in the Indenture). Amounts in the 2024 Series Costs of Issuance Account are required to be used and withdrawn, as provided in the Indenture, solely for the payment of Costs of Issuance of the 2024 Bonds. Upon the earlier to occur of (i) receipt by the Trustee of a Certificate of the Authority to the effect that all Costs of Issuance for the 2024 Bonds have been paid and (ii) 180 days after the Date of Issuance of the 2024 Bonds, any moneys remaining on deposit in the 2024 Series Costs of Issuance Account are to be transferred to the Revenue Fund.

### **Tax Covenants**

2024 Series Rebate Account. Pursuant to the Seventh Supplemental Indenture, the Trustee will establish and maintain within the Rebate Fund one or more separate subaccounts designated as the “2024 Series Rebate Account” (with such further designations, if any, as provided in the Indenture). There are required to be deposited in the 2024 Series Rebate Account from amounts in the Operation and Maintenance Fund or other lawfully available moneys such amounts as are required to be deposited therein pursuant to the Tax Certificate delivered by the Authority in connection with the issuance of the 2024 Bonds. All money at any time deposited in the 2024 Series Rebate Account are to be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement for the 2024 Bonds, for payment to the United States of America, and pursuant to the Indenture the United States of America is granted a first lien on such money until such payment. All amounts required to be deposited into or on deposit in the 2024 Series Rebate Account will be governed exclusively by the Seventh Supplemental Indenture and by such Tax Certificate.

In the event that the amount in the 2024 Series Rebate Account exceeds the Rebate Requirement for the 2024 Bonds, upon the Request of the Authority, the Trustee will be required to transfer the excess from the 2024 Series Rebate Account to the Revenue Fund.

Notwithstanding any provisions of the Seventh Supplemental Indenture summarized in this section, if the Authority provides to the Trustee an opinion of Bond Counsel that any specified action required under the provisions of the Seventh Supplemental Indenture summarized in this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the 2024 Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of the provisions of the Seventh Supplemental Indenture summarized in this section, and, notwithstanding certain provisions of the Indenture, the covenants under the Indenture are to be deemed to be modified to that extent.

Tax Covenants for 2024 Bonds. The Seventh Supplemental Indenture provides that the Authority intends that, and will at all times do and perform all acts and things permitted by law, the Indenture and the Tax Certificate such that interest on the 2024 Bonds be excluded from gross income for federal income tax purposes. The Authority reserves the right to determine the desired tax status of any additional Series of Bonds.

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## APPENDIX E

### PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

A.B. Won Pat International  
Airport Authority, Guam  
Tamuning, Guam

A.B. Won Pat International Airport Authority, Guam  
General Revenue Bonds,  
2024 Series A (AMT) and 2024 Series B (Non-AMT)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the A.B. Won Pat International Airport Authority, Guam (the “Authority”) in connection with the issuance of \$47,170,000 aggregate principal amount of A.B. Won Pat International Airport Authority, Guam General Revenue Bonds, 2024 Series A (AMT) (the “2024 Series A Bonds”) and \$20,640,000 aggregate principal amount of A.B. Won Pat International Airport Authority, Guam General Revenue Bonds, 2024 Series B (Non-AMT) (the “2024 Series B Bonds” and, together with the 2024 Series A Bonds, the “Bonds”), issued pursuant to an indenture, dated as of September 1, 2003, as previously amended and supplemented, and as further supplemented by the Seventh Supplemental Indenture, dated as of October 1, 2024 (collectively, the “Indenture”), among the Authority, Bank of Guam, as trustee (the “Trustee”) and U.S. Bank Trust Company, National Association, as co-trustee (the “Co-Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Authority (the “Tax Certificate”), dated the date hereof, certificates of the Authority, Guam Economic Development Authority (“GEDA”), the Trustee, the Co-Trustee and others, opinions of counsel to the Authority, GEDA, the Trustee and the Co-Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities of the Government of Guam. We express no opinion with respect to any indemnification, contribution, liquidated

damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding agreement of, the Authority. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds and the payment of Credit Agreement Payments and Parity Payment Agreement Payments, of the Revenues, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any 2024 Series A Bond for any period that such 2024 Series A Bond is held by a "substantial user" of facilities financed or refinanced by the 2024 Series A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the 2024 Series B Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe, however, that interest on the 2024 Series A Bonds is a specific preference item for purposes of the federal individual alternative minimum tax and interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Under 48 U.S.C. Section 1423a, interest on the Bonds is exempt from taxation by the Government of Guam, or by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

## APPENDIX F

### PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

[Closing Date]

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the A.B. Won Pat International Airport Authority, Guam (the “Authority”), and Digital Assurance Certification, L.L.C., as dissemination agent (the “Dissemination Agent”), in connection with the issuance of \$47,170,000 A.B. Won Pat International Airport Authority, Guam General Revenue Bonds, 2024 Series A (AMT) and \$20,640,000 A.B. Won Pat International Airport Authority, Guam General Revenue Bonds, 2024 Series B (Non-AMT) (collectively, the “2024 Bonds”). The 2024 Bonds are being issued pursuant to the Indenture, dated as of September 1, 2003 (the “General Indenture”), by and between the Authority and Bank of Hawaii, as predecessor trustee, as amended and supplemented, including by a Seventh Supplemental Indenture, dated as of October 1, 2024 (the “Seventh Supplemental Indenture”), by and between the Authority and Bank of Guam, as successor trustee (the “Trustee”), and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association (the “Co-Trustee”). The General Indenture, as amended and restated, including by the Seventh Supplemental Indenture, is referred to herein as the “Indenture.” The Authority and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the 2024 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2024 Bonds (including persons holding 2024 Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” initially shall mean Digital Assurance Certification, L.L.C., or any successor Dissemination Agent designated in writing by the Authority (which may be the Authority) and which has filed with the Authority a written acceptance of such designation.

“Financial Obligation” means, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the person in whose name any 2024 Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the official statement of the Authority, dated September 17, 2024, as supplemented, relating to the 2024 Bonds.

“Participating Underwriters” shall mean, collectively, the original underwriters of the 2024 Bonds required to comply with the Rule in connection with the offering of the 2024 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**SECTION 3. Provision of Annual Reports.**

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Authority’s fiscal year (presently September 30) (such date, the “Annual Filing Date”), commencing with the report for the fiscal year ended September 30, 2024, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, subject to the requirement in Section 4(a) of this Disclosure Agreement to file the unaudited financial statements. If the Authority’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the 2024 Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the Annual Filing Date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If the Authority is acting as Dissemination Agent and the Authority is unable to provide to the MSRB an Annual Report by the Annual Filing Date required in subsection (a), the Authority shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) If the Dissemination Agent has not received an Annual Report by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a “failure to file event” shall have occurred and the Authority irrevocably directs the Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report.

(d) If the Annual Report is delivered to the Dissemination Agent for filing, the Dissemination Agent shall (if the Dissemination Agent is other than the Authority) file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

**SECTION 4. Content of Annual Reports.** The Authority’s Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Authority for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided that if the Authority’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements for such entity in a format similar to the financial statements contained in the Official Statement relating to the 2024 Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) information regarding the level of passenger traffic at the Airport (to the extent not included in the financial statements referred to in (a) above), to the extent that such information is historical and not projected and that similar information is included in the Official Statement; and

(c) information regarding passenger airline departures (to the extent not included in the financial statements referred to in (a) above), to the extent that such information is historical and not projected and that similar information is included in the Official Statement.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been made available to the public on the MSRB's website. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2024 Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of Notices of Proposed Issue (IRS Form 5701-TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2024 Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in Section 5(a)(5), material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2024 Bonds or other material events affecting the tax status of the 2024 Bonds;
2. Modifications to rights of 2024 Bond holders;
3. 2024 Bond calls;
4. Release, substitution or sale of property securing repayment of the 2024 Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
7. Appointment of a successor or additional trustee or co-trustee, or the change of name of a trustee or co-trustee; or
8. Incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect 2024 Bond holders.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Authority shall determine if such event would be material under applicable federal securities laws.

(d) If the Authority learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Authority shall within 10 business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2024 Bonds pursuant to the Indenture.

(e) The Authority intends to comply with the Listed Events described in Section 5(a)(10) and Section 5(b)(8), and the definition of “Financial Obligation” in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The obligations of the Authority and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2024 Bonds. If such termination occurs prior to the final maturity of the 2024 Bonds, the Authority shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Authority shall be the Dissemination Agent. The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Authority), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2024 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2024 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2024 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the Authority or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the 2024 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed to be an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2024 Bonds, and shall create no rights in any other person or entity.

SECTION 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and, to the fullest extent permitted by applicable law, the Authority agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Co-Trustee or the Dissemination Agent and payment of the 2024 Bonds.

The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any disclosures or notices provided to it by the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Holders of the 2024 Bonds or any other party. The Dissemination Agent shall have no responsibility for the Authority's failure to report to the Dissemination Agent a Listed Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Authority has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the Authority at all times.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed by the laws of Guam.

IN WITNESS WHEREOF, this Disclosure Agreement has been executed on behalf of the Authority and the Dissemination Agent by their duly authorized representatives as of the date first written above.

A.B. WON PAT INTERNATIONAL AIRPORT  
AUTHORITY, GUAM

By: \_\_\_\_\_  
Authorized Officer

DIGITAL ASSURANCE CERTIFICATION, L.L.C.

By: \_\_\_\_\_  
Authorized Officer

**CONTINUING DISCLOSURE EXHIBIT A**

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: A.B. Won Pat International Airport Authority, Guam  
Name of Bond Issue: A.B. Won Pat International Airport Authority, Guam General Revenue Bonds,  
2024 Series A (AMT) and 2024 Series B (Non-AMT)  
Date of Issuance: October 9, 2024

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named 2024 Bonds as required by Section 4 of the Continuing Disclosure Agreement of the Authority, dated the Date of Issuance. [The Authority anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

A.B. WON PAT INTERNATIONAL AIRPORT  
AUTHORITY, GUAM

By \_\_\_\_\_ [to be signed only if filed]

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## APPENDIX G

### DTC AND ITS BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2024 Bonds. The 2024 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2024 Bond certificate will be issued for each maturity of each series of the 2024 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2024 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 2024 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 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.

To facilitate subsequent transfers, all 2024 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 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2024 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. Beneficial Owners of 2024 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2024 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2024 Bond documents. Beneficial Owners of 2024 Bonds may wish to ascertain that the nominee holding the 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative,

Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2024 Bonds within a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 the 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of and interest on the 2024 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 payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of or interest on the 2024 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such, payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2024 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, 2024 Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2024 Bond certificates will be printed and delivered.

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

*The preceding information in this APPENDIX G was provided by DTC for inclusion herein, and has not been independently verified by the Authority or the Underwriter. No representation is made by the Authority as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.*

The Authority cannot and does not give any assurances that DTC will distribute to the Participants, or that the Participants or others will distribute to the Beneficial Owners, payments of debt service on the 2024 Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority is not responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the 2024 Bonds or any error or delay relating thereto.

Neither the Authority nor the Trustee shall have any responsibility or obligation to any DTC Participant, any beneficial owner or other persons claiming a beneficial ownership interest in the 2024 Bonds under or through DTC or any DTC Participant, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant with respect to the beneficial ownership interest in the 2024 Bonds; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of or interest on the 2024 Bonds to any beneficial owner or other person for the 2024 Bonds; or (iii) the delivery to any beneficial owner of the 2024 Bonds, or any other person of any notice which is permitted or required to be given to owners under the Indenture. Neither the Authority nor the Trustee shall have any responsibility with respect to obtaining consents from anyone other than the registered owners.



A.B. WON PAT INTERNATIONAL  
**AIRPORT GUAM**

