

**POLICIES AND PROCEDURES APPLICABLE  
TO THE TREASURY DIVISION,  
DEPARTMENT OF REVENUE,  
STATE OF ALASKA**



**APPENDIX AR**

**Master Custodian Agreement to Act Upon Detailed Instructions of the Alaska  
International Airport System Authorizing Resolutions for the Debt Service Reserve Funds**

STATE OF ALASKA  
DEPARTMENT OF REVENUE  
TREASURY DIVISION



SEAN PARNELL, GOVERNOR

333 WILLOUGHBY AVENUE, 11<sup>TH</sup> FLOOR  
PO BOX 110405  
JUNEAU, ALASKA 99811-0405  
PHONE: (907)465-2350  
FAX: (907)465-2454

February 14, 2011

Ms. Kathleen Graves  
Vice President  
The Bank of New York Mellon Trust Company, N.A.  
Two Union Square  
601 Union Street – Suite 520  
Seattle, WA 98101

Ms. Lisa Tyrrell  
Vice President  
State Street Bank and Trust Company  
Lafayette Corporate Center  
2 Avenue de Lafayette  
Boston, MA 02111

Dear Ms. Graves and Ms. Tyrrell:

Reference is made to the State of Alaska's Alaska International Airports System (AIAS) Revenue bonds' authorizing resolution 99-01, dated January 28, 1999, as supplemented through the date hereof ("the Resolution"), in which the State of Alaska covenants to maintain an aggregate Reserve Account equal to the lesser of three tests provided by the Internal Revenue Service Code. The purpose of the Reserve Account is to provide bondholders security in the event that the State of Alaska defaults on a payment. The State of Alaska is not authorized to transfer funds from the Reserve Account, other than to sweep excess earnings, without consent of the Registrar of the state. Further, the Resolution covenants to provide direct access to the AIAS Reserve Account to the Registrar, The Bank of New York Mellon Trust Company, N.A. By its execution of this letter, the State of Alaska's Department of Revenue hereby directs the Registrar to invest the cash portion of the Reserve Account, which was \$18,678,218 as of December 31, 2010, but may either decrease to the minimum amount required to meet the Reserve Account Requirement or increase as directed by the State of Alaska's Department of Revenue, in the State of Alaska's investment pool (as permitted under Section 3.03 of the Resolution) through accounts AY2E and AY2U, held at State Street Bank and Trust Company ("State Street") as custodian, which investment the Registrar has made by its execution of this letter.

The State of Alaska has thirteen series of AIAS revenue bonds outstanding at this time with a Reserve Account Requirement (as defined in the Resolution) of \$47,414,705.72. Up to \$31,252,433 of the Reserve Fund Requirement is met through surety policies and \$16,162,273 met through balances held in (AY2E and AY2U). An additional \$2,515,945 of cash deposits was currently included in AY2E and AY2U. For purposes of requiring cash replenishment of the balances held in (AY2E and AY2U) the minimum cash balance required to meet the Reserve Account Requirement through the combination of cash and

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sureties is \$16,162,273. A spreadsheet detailing the reserve requirement and current reserve holdings is attached. It is the intent of the AIAS and Department of Revenue to increase the balance of the cash funded portion of the Reserve Account Requirement over the coming 10 years to fully account for the aggregate Reserve Account Requirement in anticipation of surety policies expiring in 2016, 2023, and 2025 and to mitigate the reliance on third party surety policies.

This letter supersedes and replaces all earlier agreements in this matter. This letter authorizes State Street, as master custodian under the Master Custodian Contract between the State of Alaska, Department of Revenue, Treasury Division and State Street to act upon the following instructions for the Reserve Account.

- Act upon instructions to transfer funds by an authorized individual at The Bank of New York Mellon Trust Company, N.A. The Bank of New York Mellon Trust Company, N.A. has sole authority to transfer funds into and out of the Reserve Account for the first \$16,162,273 and such additional funds as required to meet the minimum Reserve Account Requirement in conjunction with existing surety policies. The State of Alaska does not have any authority to transfer funds out of the Reserve Account accounts, other than to transfer the aggregated account balance in excess of the Reserve Account Requirement from the Reserve Account to an AIAS debt service principal payment account maintained at The Bank of New York Mellon Trust Company, N.A, without consent of the Registrar.
- Provide The Bank of New York Mellon Trust Company, N.A. with month-end accounting information.

Alaska State Treasury Personnel are authorized to:

- Rebalance holdings in the reserve accounts between the available Treasury Investment Pools.
- Provide State Street with the list of authorized personnel and signatures from The Bank of New York Mellon Trust Company, N.A.
- Notify State Street if there is a change in the State's Registrar.
- Annually on July 1 provide notice of market value of Reserve Account to the AIAS.
- Upon The Bank of New York Mellon Trust Company, N.A. and AIAS direction:
  - Transfer excess Reserve Account value to The Bank of New York Mellon Trust Company, N.A. for deposit into an AIAS Interest or Principal account.
- Upon AIAS direction:
  - Transfer payments from the AIAS revenue fund to the Reserve Account to cure a Reserve Account Requirement deficiency or increase the cash funding level of the Reserve Account.

STATE OF ALASKA  
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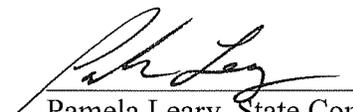
SEAN PARNELL, GOVERNOR

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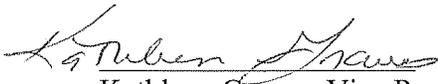
The Bank of New York Mellon Trust Company, N.A. shall:

- Prior to transferring any excess balances obtain consent from the State of Alaska, Treasury Division's Debt Manager and provide notice to the State Comptroller prior to any transfer of funds from the Reserve Account.
- Provide notice to the State of Alaska, Treasury Division's Debt Manager and State Comptroller prior to any transfer of funds from the Reserve Account to cure a deficiency in the Interest or Principal accounts of the AIAS.
- Notify the State of Alaska, Treasury Division's Debt Manager and State Comptroller when changes to the authorized signatories are needed from The Bank of New York Mellon Trust Company, N.A.

Sincerely,

 Date: 2/14/11  
Pamela Leary, State Comptroller  
State of Alaska  
Department of Revenue, Treasury Division

Acknowledgment:

 Date: 2/14/11  
Kathleen Graves, Vice President,  
as Registrar  
The Bank of New York Mellon Trust  
Company, N.A.

**STATE OF ALASKA**  
**DEPARTMENT OF REVENUE**  
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**SEAN PARNELL, GOVERNOR**

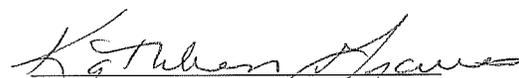
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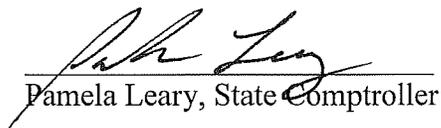
**The State of Alaska and The Bank of New York Mellon Trust Company, N.A.**  
**Authorized Signatories for AY2D and AY2E**  
**As of January 21, 2011**

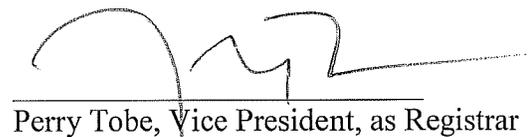
**State of Alaska, Treasury Division**

**The Bank of New York Mellon Trust  
Company, N.A.**

  
Deven Mitchell, Debt Manager

  
Kathleen Graves, Vice President, as  
Registrar

  
Pamela Leary, State Comptroller

  
Perry Tobe, Vice President, as Registrar

  
Gary Bader, Chief Investment Officer

  
Carol Nelson, Vice President, as Registrar

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**The State of Alaska, The Bank of New York Mellon Trust Company, N.A., and  
State Street Bank and Trust Company Contacts:**

**State of Alaska:**

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**The Bank of New York Mellon Trust Company, N.A.**

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**State Street Bank and Trust Company**

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