NORTHERN TOBACCO SECURITIZATION CORPORATION
ANNUAL MEETING OF THE MEMBERSHIP

NOVEMBER 18, 2026 – 9:30 A.M.

AGENDA

I. ROLL CALL

II. APPROVAL OF AGENDA

III. MINUTES: DECEMBER 3, 2025

IV. PUBLIC COMMENTS

V. NEW BUSINESS
   - A. ELECTION OF BOARD MEMBERS, IF ANY
   - B. DELIVERY OF FISCAL YEAR 2026 ANNUAL REPORT
   - C. OTHER MATTERS TO PROPERLY COME BEFORE THE MEMBERSHIP

VI. ADJOURNMENT

The Chair may announce changes in the order of business during the meeting.

PHONE: 907.330.8396 **ADDRESS:** *4300 Boniface Parkway, Suite 205, Anchorage, Alaska 99504*

MINUTES

ANNUAL MEETING OF THE MEMBERSHIP OF NORTHERN TOBACCO SECURITIZATION CORPORATION

The 2025 annual membership meeting of the Northern Tobacco Securitization Corporation (NTSC) met December 3, 2025 in the Alaska Finance Housing Corporation Board Room, 4300 Boniface Parkway in Anchorage, Alaska, at 9:30 a.m. Board members present in the room and via teleconference were:

JESS HALL	Chair Member of the Board
BRENT LEVALLEY (telephonic)	Vice Chair Member of the Board
ALLEN HIPPLER	Member of the Board
DAVID PRUHS (telephonic)	Member of the Board
LLEWELLYN SMYTH	Designee for Commissioner of Department of Revenue Member of the Board
HEIDI HEDBERG	Commissioner Department of Health Member of the Board
JULIE SANDE (telephonic)	Commissioner Department of Commerce, Community & Economic Development Member of the Board

I. **ROLL CALL:** CHAIR HALL called the meeting to order. A quorum was declared present, and the meeting was duly and properly convened for the transaction of business.

II. **APPROVAL OF AGENDA:** CHAIR HALL asked if there were any changes to the agenda. LLEWELLYN SMYTH moved to approve the agenda as presented. BRENT LEVALLEY seconded. Hearing no objections, the agenda was approved as presented.

III. **APPROVAL OF NOVEMBER 20, 2024 MEETING MINUTES:** CHAIR HALL asked for a motion to approve the minutes. BRENT LEVALLEY moved to approve the November 20, 2024 meeting minutes as presented. LLEWELLYN SMYTH seconded. Hearing no objections, the meeting minutes were approved as presented.

IV. **PUBLIC COMMENTS:** There were no public comments.

V. **NEW BUSINESS:**

A. **Election of board members, if any –** No action was needed by the membership at this time.

B. **Delivery of Fiscal Year 2025 Annual Report. –** BRYAN BUTCHER acknowledged delivery of the annual report memo. The NTSC Board Meeting will be addressing this in the following meeting. No further action is needed at this time.

C. **Other matters to properly come before the membership** – There were no other matters to come before the Membership.

VI. **ADJOURNMENT:** ALLEN HIPPLER moved to adjourn the meeting. COMMISSIONER HEDBERG seconded.

Chair Hall adjourned at 9:35 a.m.

ATTESTED:

_____
Jess Hall
Membership Chair

_____
Bryan Butcher
CEO/Executive Director

Northern Tobacco Securitization Corporation

MEMORANDUM

DATE: November 18, 2026

TO: NTSC Membership

FROM: Staff

RE: Election of Board Members

Issue:

Under Article III, Section 3(a), the By-Laws of the Corporation provide for an election of directors at the first annual meeting and at each annual meeting thereafter. Persons shall be elected to open positions on the Board of Directors to hold office until each successor is elected, qualified, and accepts office, subject to the terms of Article V of the Corporation's Articles of Incorporation. The term for a director on the Board of Directors shall be three years.

Recommendation and requested action:

In accordance with the By-Laws and Articles of Incorporation, and with both Independent Director positions currently vacant, an election of directors would normally be required. However, no prospective directors have been nominated for consideration, so an election is not needed at this time.

MEMORANDUM

DATE: November 18, 2026

TO: NTSC Membership

FROM: Staff

RE: Delivery of Annual Report

Issue:

Under Article III, Section 11(b), the By-Laws of the Corporation require delivery of the Corporation's audited financial statements at each annual meeting of the Membership. Such report shall be entered into the minutes of, and filed with the records of, each annual meeting.

Recommendation and requested action:

In accordance with the By-Laws, the Membership is hereby notified of the delivery of the above-listed report. No further action is required of the Membership at this time.

PHONE: 907.330.8396 **ADDRESS:** *4300 Boniface Parkway, Suite 205, Anchorage, Alaska 99504*

Northern Tobacco Securitization Corporation

a component unit of the State of Alaska

Financial Statements

June 30, 2026

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For comments please contact:

Mailing: 4300 Boniface Parkway, Suite 205
Anchorage, AK 99504
(907) 330-8322

Independent Auditor's Report

To the Board of Directors
Northern Tobacco Securitization Corporation
Anchorage, Alaska

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Northern Tobacco Securitization Corporation (NTSC), a blended component unit of the State of Alaska, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise NTSC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of NTSC, as of June 30, 2026, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 NTSC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note A to the financial statements, NTSC's repayment of long-term debt is dependent on several factors, including the continued financial capability of participating cigarette manufactures to pay tobacco settlement revenues and future cigarette consumption. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note A, the financial statements of NTSC are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of NTSC that is attributable to the transactions of NTSC. They do not purport to, and do not, present fairly the financial position of the State of Alaska as of June 30, 2026, the changes in its financial

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position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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 from 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 NTSC's ability to continue as a going concern for twelve 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 opinions. 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 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, 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 NTSC'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 NTSC'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 management's discussion and analysis 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Eide Bailly LLP

Boise, Idaho
October 15, 2026

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial statements of Northern Tobacco Securitization Corporation ("NTSC") consist of two parts: Management's Discussion and Analysis and the Basic Financial Statements. The Basic Financial Statements include Government-wide Presentation, Governmental Fund Presentation and Notes to Financial Statements. The financial statements for June 30, 2026, are intended to facilitate and enhance understanding of NTSC's financial position and results of operations for the current fiscal year.

The Management's Discussion and Analysis is designed to assist the reader in focusing on NTSC's significant financial issues and activities and to identify significant changes in the financial position during the year ended June 30, 2026. This information should be read in conjunction with the Independent Auditors' Report, financial statements and accompanying notes.

NTSC is a component unit of the State of Alaska ("the State").

The government-wide financial statements of NTSC, which include the *Statement of Net Position* and the *Statement of Activities*, are presented to display information about NTSC as a whole and are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to the accounting used by most private-sector companies. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The *Statement of Net Position* (Exhibit A) answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities. Over time, changes in net position may serve as a useful indicator of whether the financial position of NTSC is improving or deteriorating.

The *Statement of Activities* (Exhibit B) accounts for all of the revenues and expenses. This statement measures the success of NTSC's operations over the past year and can be used to determine whether NTSC has successfully recovered all of its costs through its revenue sources. This statement helps answer the question "Is NTSC as a whole better off or worse off as a result of the year's activities?"

The *Reconciliation of the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities* (Exhibit C) is provided to assist readers in understanding the differences between government-wide and governmental fund financial statements.

The *Notes to Financial Statements* provide additional information that is essential to obtain a full understanding of the data provided in the government-wide financial statements. The Notes to Financial Statements follow Exhibit C.

CONDENSED STATEMENT OF NET POSITION

(in thousands)

	2026	2025
Total assets	16,752	15,504
Deferred outflow of resources	16,847	17,228
Total liabilities	272,085	277,048
Restricted net position	16,528	15,287
Unrestricted net position (deficit)	(255,014)	(259,603)
Total net position (deficit)	$ (238,486)	$ (244,316)

ANALYSIS OF CHANGES IN NET POSITION

- Total net position increased by $5.8 million during fiscal year 2026.
- Tobacco settlement revenue received by NTSC in fiscal year 2026 was $14.8 million, compared to $15.3 million in fiscal year 2025.
- Bond principal in the amount of $7.8 million was paid in fiscal year 2026.

CONDENSED STATEMENT OF ACTIVITIES

(in thousands)

	2026	2025
Tobacco settlement revenue	$ 14,757	$ 15,343
Other revenue	625	763
Total revenues	15,382	16,106
Interest expense	9,097	6,925
Operations and administration	455	472
Total expenses	9,552	7,397
Excess of revenues of expenses	5,830	8,709
Changes in net position	5,830	8,709
Net position, beginning of year	(244,316)	(253,025)
Net position, end of year	$ (238,486)	$ (244,316)

ANALYSIS OF CHANGES IN STATEMENT OF ACTIVITIES

- Bond interest totaling $6.3 million was paid in fiscal year 2026.
- Arbitrage expense of $2.0 million was recorded in fiscal year 2026.

For the fiscal year ending June 30, 2026, tobacco revenues received by NTSC were lower compared to the prior year due to decreased tobacco consumption. The total expenses from fiscal year 2026 were higher than prior year's total expenses due to the arbitrage expense of $2.0 million being reported. Although revenues decreased and expenses increased, revenues exceeded expenses for the year, resulting in an increase in NTSC's ending net position.

FUNDS

NTSC has two funds.

- The debt service fund is restricted solely to debt service activities.
- The general fund is the operating fund of NTSC. It represents all of NTSC's activities not presented in the debt service fund.

SIGNIFICANT LONG-TERM FINANCING ACTIVITY

As of June 30, 2026, NTSC had $269.6 million in outstanding revenue bonds, net of premium and accreted value, secured solely by future tobacco settlement revenue and investment earnings. Significant debt activity during fiscal year 2026 consisted of debt service payments of $14.1 million of which $6.3 million represented interest and $7.8 million represented principal paydown.

Ratings on NTSC's bonds are subject to change as the companies that rate the bonds analyze numerous factors that may affect NTSC's ability to pay interest on and principal of its outstanding obligations. Therefore, there has been no attempt to list the ratings as of the date of this report. However, current information is available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access service ("EMMA") at http://emma.msrb.org.

Additional information on NTSC's long-term debt can be found in note F of NTSC's notes to financial statements.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Tobacco settlement revenue, the primary revenue source for NTSC, is dependent on future tobacco product sales. If the consumption of tobacco products increases, then NTSC's tobacco settlement revenue will increase; if consumption decreases, revenue will also decrease. If consumption remains consistent, tobacco settlement revenue will remain stable.

CONTACTING NTSC'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of NTSC's finances and to show NTSC's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact NTSC at (907) 330-8322 or finance@ntscak.us.

NORTHERN TOBACCO SECURITIZATION CORPORATION

EXHIBIT A

(A Component Unit of the State of Alaska)

GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET POSITION

As of June 30, 2026

(in thousands of dollars)

	General Fund	Debt Service Fund	Governmental Funds Balance Sheet Total	Adjustments*	Statement of Net Position Total
ASSETS					
Investments	$ 224	$ 16,479	$ 16,703	$ -	$ 16,703
Interest receivable	-	49	49	-	49
Total assets	224	16,528	16,752	-	16,752
DEFERRED OUTFLOW OF RESOURCES	-	-	-	16,847	16,847
LIABILITIES					
Bond interest payable	-	-	-	486	486
Arbitrage payable	-	-	-	2,041	2,041
Long-term debt:					
Due within one year	-	-	-	4,950	4,950
Due after one year	-	-	-	228,150	228,150
Unamortized bond premium	-	-	-	19,074	19,074
Accreted value	-	-	-	17,384	17,384
Total liabilities	-	-	-	272,085	272,085
FUND BALANCES					
Fund balances:					
Unassigned	224	-	224		
Restricted for debt service	-	16,528	16,528		
Total fund balances	224	16,528	16,752		
Total liabilities and fund balances	$ 224	$ 16,528	$ 16,752		
NET POSITION					
Restricted for debt service				-	16,528
Unrestricted (deficit)				-	(255,014)
Total net position (deficit)				$ (255,238)	$ (238,486)

***Adjustments:**

Amounts reported for governmental activities in the Statement of Net Position are different than the Governmental Funds Balance Sheet totals because:

Total fund balances	$ 16,752
Deferred outflow of resources related to the purchase of future tobacco settlement revenues.	16,847
Interest payable and long-term debt are not due and payable in the current period and therefore are not reported in the governmental funds.	(235,627)
Governmental funds report bond premiums as other financing uses when incurred. The Statement of Net Position records bond premiums as a liability to long-term debt and amortizes such items to interest expense over the life of the debt.	(19,074)
Governmental funds report accreted value at the time the bonds are redeemed. The Statement of Net Position amortizes such items as a reduction to expense over the life of the debt .	(17,384)
Net position of governmental activities	$ (238,486)

See accompanying notes to the financial statements.

NORTHERN TOBACCO SECURITIZATION CORPORATION

EXHIBIT B

(A Component Unit of the State of Alaska)

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
STATEMENT OF ACTIVITIES

For the Year Ending June 30, 2026

(in thousands of dollars)

	General Fund	Debt Service Fund	Total Governmental Funds	Adjustments (Exhibit C)	Statement of Activities
GENERAL REVENUES					
Tobacco settlement revenues	$ -	$ 14,757	$ 14,757	$ -	$ 14,757
Investment interest	-	562	562	-	$ 562
Net increase (decrease) in fair value of investments	-	(2)	(2)	-	$ (2)
Realized gain (loss) on investments	-	65	65	-	$ 65
Total revenues	-	15,382	15,382	-	15,382
EXPENDITURES/EXPENSES					
Insurance and financing	40	-	40	-	40
General and administrative	34	-	34	-	34
Amortization of deferred outflow of resources	-	-	-	381	381
Interest expense	-	6,255	6,255	2,842	9,097
Principal	-	7,805	7,805	(7,805)	-
Total expenditures/expenses	74	14,060	14,134	(4,582)	9,552
Excess (deficiency) of revenues over (under) expenditures	(74)	1,322	1,248	4,582	5,830
Other financing sources/uses:					
Transfers - internal activities	81	(81)	-	-	-
Total other finances sources (uses)	81	(81)	-	-	-
Net change in fund balances	7	1,241	1,248	(1,248)	-
Change in net position	-	-	-	5,830	5,830
FUND BALANCES and NET POSITION (DEFICIT)					
Beginning of year	217	15,287	15,504	(259,820)	(244,316)
End of year	$ 224	$ 16,528	$ 16,752	$ (255,238)	$ (238,486)

See accompanying notes to the financial statements.

NORTHERN TOBACCO SECURITIZATION CORPORATION

EXHIBIT C

(A Component Unit of the State of Alaska)

RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ending June 30, 2026

(in thousands of dollars)

Amounts reported for governmental activities in the Statement of Activities are different than the Total Governmental Funds because:

Net change in fund balances - Total Governmental Funds	$	1,248
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		7,805
Amortization of deferred outflow of resources is an expenditure on the Statement of Net Position but does not affect the governmental funds.		(381)
Arbitrage expense that was recorded in during the current year but will be paid in the subsequent year.		(2,041)
Adjustments to Debt Service-Interest:		
Governmental funds report accreted value at the time the bonds are redeemed. The Statement of Net Position amortizes the accreted value to interest expense over the life of the debt.		(3,715)
Governmental funds report bond premium as a financing use when incurred. The Statement of Activities amortizes the bond premium to interest expense over the life of the debt.		2,885
Bond interest is reported as an expenditure in the governmental funds when paid. Interest expense is reported in the Statement of Activities when incurred.		29
Change in net position of government activities	$	5,830

See accompanying notes to the financial statements.

FOOTNOTE INDEX

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Notes to Financial Statements

FOR THE YEAR ENDED JUNE 30, 2026

NOTE A: THE NORTHERN TOBACCO SECURITIZATION CORPORATION

The Northern Tobacco Securitization Corporation ("NTSC") is a not-for-profit corporation. It was incorporated on September 29, 2000, under the Alaska Nonprofit Corporation Act and provisions of the Alaska Statutes creating the Alaska Housing Finance Corporation, as amended. NTSC was formed as an affiliate of Alaska Housing Finance Corporation ("AHFC") pursuant to House Bill No. 281 of the Alaska Legislature. NTSC is legally independent and separate from AHFC, and there is no financial accountability between NTSC and AHFC.

NTSC is a component unit of the State of Alaska ("the State") and is presented as a component of the special revenue and debt service funds in the State's financial statements. NTSC is a government instrumentality of the State but has legal existence independent of and separate from the State. The Board of Directors of NTSC is comprised of the Commissioners of the Alaska Departments of Revenue, Health, and Commerce, Community & Economic Development, or their designees, and two independent members of the public recommended by the Governor.

The purpose of NTSC is to purchase from the State portions of its future right, title and interest in the Tobacco Settlement Revenues ("TSRs") under the Master Settlement Agreement and the Consent Decree and Final Judgment ("MSA"). The MSA resolved tobacco-related litigation between the settling states and the Participating Manufacturers ("PMs"), released the PMs from past and present tobacco-related claims of the settling states, and provides for a continuing release of future tobacco-related claims, in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions, among other things.

In October 2000, pursuant to a Purchase and Sale Agreement with the State, the State sold to NTSC 40% of its future right, title and interest in the TSRs. Specifically, these rights include a 40% share of TSRs received by the State starting January 10, 2002, and in perpetuity under the MSA. When NTSC's obligations under the bonds have been fulfilled, the TSRs revert back to the State under a residual certificate. Consideration paid by NTSC to the State for TSRs consisted of a cash amount sent to the State's custodial trust accounts and a residual certificate assigned to the State.

In August 2001, pursuant to a Purchase and Sale Agreement with the State, the State sold to NTSC an additional 40% of its future right, title and interest in the TSRs. Specifically, these rights include a 40% share of TSRs received by the State starting January 10, 2002, and in perpetuity under the MSA. This 40% share is above and beyond the 40% share originally purchased from the State by NTSC in October 2000. When NTSC's obligations under the bonds have been fulfilled, the TSRs revert back to the State under a residual certificate. Consideration paid by NTSC to the State for TSRs consisted of a cash amount sent to the State's custodial trust accounts and a residual certificate assigned to the State.

In July 2021, pursuant to a Purchase and Sale Agreement with the State, the State extended NTSC's right, title and interest in the previously purchased TSRs until such time as NTSC's obligations under the 2021 bonds have been fulfilled, after which the TSRs revert back to the State under residual certificates.

The bonds of NTSC are asset-backed instruments secured solely by the TSRs, and NTSC's right to receive TSRs is expected to produce funding for its obligations. The TSRs payments are dependent on a variety of factors, some of which are:

- the financial capability of the participating cigarette manufacturers to pay TSRs,
- future cigarette consumption which impacts the TSRs payment, and
- future legal and legislative challenges against the tobacco manufacturers and the master settlement agreement providing for the TSRs.

Changes in these factors could affect the amount of funds available to pay scheduled debt service requirements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

NTSC's annual financial statements include a Management's Discussion and Analysis ("MD&A") and basic financial statements. The basic financial statements include a Governmental Funds Balance Sheet / Statement of Net Position, a Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances / Statement of Activities, a Reconciliation of the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities, and Notes to Financial Statements. The financial statements are intended to facilitate and enhance understanding of NTSC's financial position and results of operations for the current fiscal year.

New Accounting Pronouncements

As of July 1, 2025, NTSC adopted Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. This Statement enhances the clarity and consistency of financial reporting requirements related to the following areas: 1) Management's discussion and analysis 2) Proprietary fund reporting 3) Unusual or infrequent items and 4) Budgetary comparison schedules. GASB 103 is required to be reported as a change in accounting principle in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections.* The implementation of GASB 103 did not have a material effect on NTSC.

Government-Wide and Governmental Fund Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the activities of NTSC. The effect of interfund activity has been removed from these statements. The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are provided for governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, NTSC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The General Fund is the operating fund. It accounts for all financial resources not required to be accounted for in the Debt Service Fund. The Debt Service Fund accounts for the financial resources accumulated for payments of principal and interest of NTSC's long-term debt.

NOTE C: ASSETS, LIABILITIES AND FUND EQUITY

Assets

The assets reported are investments stated at fair value based on quoted market prices. Because the bonds were issued to purchase a future revenue stream, no other assets are reported, resulting in a negative net position.

Long-Term Debt

NTSC issues bonds to purchase the rights to Alaska's Tobacco Settlement Revenues and other uses consistent with its mission. The bonds are recorded at cost plus accreted interest and premiums. Premiums are amortized using the straight-line method.

Interest expense is recognized on the accrual basis in the entity-wide financial statements. Interest expenditures are recognized when paid in the individual governmental fund financial statements.

In addition to the scheduled bond interest payments, an additional interest is accreted over the life of the bonds. In the government-wide financial statements, the increase in the accreted value of the bonds is recognized as interest expense as incurred and increases the carrying amount of bonds payable. In the governmental fund financial statements, accreted amounts are recognized as debt service expenditures when due.

Fund Balances and Net Position

The Corporation's financial resources are used for the specific purpose established when it was incorporated, that of purchasing from the State portions of its future right, title and interest in the TSR. Once resources designated by the legislature are received, amounts are further appropriated by the legislature for specific projects, with the remainder unassigned for future needs. To identify the constraints on the funding, the General Fund balance is unassigned, it is the total of net resources of the General Fund in excess of non-spendable, restricted or committed funds balance. Its financial resources are used to pay NTSC's operating expenditures.

The Debt Service Fund balance is restricted. All its financial resources are restricted for debt service payments. At the government-wide level, its Net Position balance is also restricted due to bond indenture requirements.

At the government-wide level, the Net Position is separated into restricted and unrestricted. There is no formal policy for the order in which the Corporation spends restricted, committed, and unassigned funds.

NOTE D: INVESTMENTS

Deposit and Investment Policies

Investments are made under the terms of the governing bond indenture. The following types of investments are considered eligible:

- Direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, FHLMC, FNMA or the Federal Farm Credit System;
- Demand and time deposits in, certificates of deposit of, and bankers' acceptances issued by, any bank, trust company, savings and loan, or savings bank provided such instruments have been rated at least "A-1+" by S&P, "P-1" by Moody's and "F1" by Fitch (if rated by Fitch);
- General obligations of, or obligations guaranteed by, any state of the United States or the District of Columbia receiving one of the two highest long-term unsecured debt rating categories available for such securities from S&P, Moody's and Fitch (if rated by Fitch);
- Commercial or finance company paper rated "A-1+" by S&P, "P-1" by Moody's and "F1" by Fitch (if rated by Fitch);
- Repurchase obligations rated in one of the two highest long-term rating categories by S&P, Moody's and Fitch (if rated by Fitch) or collateralized at a minimum level of 102%;
- Interest-bearing or discount securities issued by any corporation incorporated under the laws of the United States or any state thereof rated "A-1+" by S&P, "P-1" by Moody's and "F1" by Fitch (if rated by Fitch);
- Taxable money market funds rated in one of the two highest categories by Moody's or Fitch (if rated by Fitch), or at least "AAm" or "Aam-G" by S&P;
- Investment agreements or guaranteed investment contracts rated in one of the two highest long-term rating categories by S&P, Moody's or Fitch (if rated by Fitch) or collateralized at a minimum level of 102%;
- Other obligations, securities, agreements or contracts which are non-callable and acceptable to each rating agency.

Investment Valuation

NTSC 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.

NTSC measures its investments in money market funds of $16,703,382 using quoted market prices (Level 1 inputs).

Credit Risk

Credit risk is the risk of loss due to the failure of the security or backer. Per policy, NTSC mitigates its credit risk by limiting investments to those permitted under the terms of the governing bond indenture, diversifying the investment portfolio, and pre-qualifying firms with which NTSC administers its investment activities.

The credit quality ratings of NTSC's investments as of June 30, 2026, as described by nationally recognized statistical rating organizations, are shown below.

Investment	Moody's	Fitch	Fair Value
Money market funds	Aaa-mf	AAAmmf	$ 16,703,382
Total investments			**$ 16,703,382**

Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of NTSC's investment in a single issuer. Concentration limits are not established under the terms of the governing bond indenture and governing agreements for trust investments. NTSC has not established a formal concentration risk policy for its investments.

Investment Holdings Greater than Five Percent of Total Portfolio

The following investment holdings, summarized by issuer, are trusted investments which have no established concentration limits. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds are excluded from this summary. As of June 30, 2026, NTSC had investment balances greater than 5 percent of its total investments with the following issuer:

Issuer	Investment Fair Value	Percentage of Portfolio
Morgan Stanley	$ 16,703,382	100.00%

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of failure of the custodian or counterparty holding the investment, NTSC will not be able to recover the value of the investment. NTSC has not established a formal custodial credit risk policy for its investments.

Interest Rate Risk

Interest rate risk is the risk that the market value of investments will decline as a result of changes in general interest rates. Per its policy, NTSC mitigates interest rate risk by structuring investment maturities to meet cash requirements as outlined in the governing bond indenture and contractual agreements.

Investment Term

The investment term of all debt security investments by contractual maturity is one year or less. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

NOTE E: DEFERRED OUTFLOWS OF RESOURCES

The Government Accounting Standards Board has defined deferred outflows of resources as the consumption of resources that are applicable to a future period. The Corporation's deferred outflows of resources of $16,847,000, represents the unamortized value of the purchased rights of future Tobacco Settlement Revenues as of June 30, 2026.

NOTE F: LONG-TERM DEBT

On July 1, 2021, NTSC issued $282,480,000 of its Tobacco Settlement Asset-Backed Bonds, Series 2021, A, B-1, and B-2. These bonds were issued to fully redeem the series 2006 bonds. The Series 2021 bonds are secured by and payable solely from the TSRs and investment earnings pledged under the indenture and amounts held in accordance with the indenture. The Series 2021A and 2021B-1 bonds bear interest at fixed annual rates, ranging from 4.000% to 5.000%, payable semi-annually until June 1, 2050. The Series 2021B-2 bonds accrete interest at 3.400%, compounded semi-annually, until June 1, 2066.

The term bonds in all Series contain turbo redemption features which require that all TSR collections in excess of operating expenditures and scheduled debt service be applied to the redemption of the term bonds. The turbo redemptions are not scheduled amortization payments and are to be made only from surplus collections, if any. Failure to make a turbo principal payment will not constitute an event of default under the indenture.

Debt Service Requirements

Debt service requirements represent the minimum amount of sinking fund and term maturity principal and interest that NTSC must pay as of the specific distribution dates. A failure to make an interest payment or a term maturity principal payment (June 1, 2031, and June 1, 2050) constitutes an event of default under the indenture. A failure to make a sinking fund payment does not constitute an event of default under the indenture. Debt service requirements, through 2031 and in five-year increments thereafter to maturity, are shown below:

	Series 2021 Bonds		
Years Ended June 30	**Principal**	**Interest**	**Total**
2027	$ 4,950,000	$ 5,908,100	$ 10,858,100
2028	5,200,000	5,660,600	10,860,600
2029	5,405,000	5,400,600	10,805,600
2030	5,375,000	5,130,350	10,505,350
2031	5,345,000	4,861,600	10,206,600
2032-2036	27,115,000	20,443,850	47,558,850
2037-2041	30,645,000	14,615,800	45,260,800
2042-2046	27,060,000	8,698,200	35,758,200
2047-2051	27,350,000	3,122,600	30,472,600
2052-2056	-	-	-
2057-2061	-	-	-
2062-2066	94,655,483	335,694,518	430,350,000
	$ 233,100,483	$ 409,536,218	$ 642,636,700

The activity for long-term debt for the year ended June 30, 2026, is summarized in the following schedule (in thousands):

TOTAL ACTIVITY	June 30, 2025	Additions	Reductions	June 30, 2026	Due Within One Year
Series 2021 bonds payable	$ 240,905	$ -	$ (7,805)	$ 233,100	$ 4,950
Plus: Accreted value	13,669	3,715	-	17,384	-
Plus: Premium	21,959	-	(2,885)	19,074	-
Total long-term debt	$ 276,533	$ 3,715	$ (10,690)	$ 269,558	$ 4,950

At June 30, 2026, NTSC maintained a debt service reserve account for the Series 2021 bonds of $10,885,491, which meets or exceeds the minimum amount required under the governing bond indenture.

NOTE G: YIELD RESTRICTION AND ARBITRAGE REBATE

Most of the investments made under NTSC's tax-exempt bond program are subject to rebate provisions or restricted as to yields. The rebate provisions require that a calculation be performed every five years and upon full retirement of the bonds to determine the amount, if any, of excess yield earned and owed to the Internal Revenue Service. As of June 30,2026, an excess yield earned of $2,041,025 was recorded and will be paid to the IRS in the subsequent fiscal year.

NOTE H: CONTINGENCIES

Tobacco Litigation Risk

The amount of revenue recognized by NTSC could be adversely impacted by certain third-party litigation involving tobacco companies and others.

NOTE I: RELATED PARTY TRANSACTIONS

NTSC entered into a Memorandum of Agreement with AHFC that retains AHFC as Administrator with respect to the preparation of all reports and other instruments and documents that NTSC is required to prepare, execute, file or deliver pursuant to the bond indenture and related agreements for a monthly fee. NTSC also entered into a Sub-Lease Agreement with AHFC for office space, overhead and operating services from AHFC for a monthly fee. The cost to NTSC for these services provided by AHFC for the year ended June, 30, 2026, was approximately $9,000. This amount was included as a portion of General and Administrative Expenditures/Expenses.