
Alaska Housing Finance Corporation Fiscal Policies

November 29, 2017



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Section 1. General Matters

1.01 Authority. These Fiscal Policies are adopted by the Board of Directors in accordance with the investment and debt issuance authority granted to the Corporation in Chapters 18.55 and 18.56 of the Alaska Statutes. Supervision of the Corporation's financial operations is delegated by the Board to the CEO/Executive Director.

1.02 Revision and Amendment. These Fiscal Policies may be revised or amended by resolution of the Board of Directors. The resolution shall specify the effective date of such changes.

1.03 Waivers. The CEO/Executive Director may waive specific Fiscal Policy criteria when, in the CEO/Executive Director's judgment, strict adherence would not be in the Corporation's best interest or where such waiver is required in connection with a specific financing transaction. Upon taking such action, the CEO/Executive Director shall notify the Board of Directors and provide supporting information.

1.04 Implementation. The CEO/Executive Director shall implement these Fiscal Policies. All employees having investment and/or financial management responsibilities shall become familiar with and shall abide by the terms herein. No person may engage in an investment or other financial transaction contrary to these Fiscal Policies or the procedures established by the CEO/Executive Director.

1.05 Standards of Care. The following standards of care shall be observed when administering the financial affairs of the Corporation:

(a) *Prudence.* Management and staff shall act as "prudent experts" when making financial decisions involving Corporation assets. As such, they shall demonstrate similar judgment and care, under the circumstances then prevailing, as would be exercised by an institutional investor or issuer of debt of ordinary professional prudence, discretion, and intelligence in managing large investments or debt financings with consideration for the investment or financing objectives and the probable safety of the capital as well as the probable investment returns to be derived and financing costs incurred. Those acting in accordance with these Fiscal Policies and while exercising due diligence shall be relieved of personal responsibility for deviations from fiscal expectations, provided such deviations are corrected timely and as outlined herein.

(b) *Ethics and Conflicts of Interest.* Officers, employees, and Board members involved in the fiscal affairs of the Corporation shall avoid personal business activities that could conflict with the proper and impartial management of the investment and debt programs. They shall further avoid the undertaking of personal investment transactions with the same individuals with whom business is conducted on behalf of the Corporation. Pursuant to the above, each such officer, employee, and Board member shall ensure that no such conflicts exist or shall disclose any material interests in financial institutions or firms providing services to the Corporation with which they conduct business and any personal financial or investment positions that could relate to the performance of the Corporation's portfolio.

1.06 Application. These Fiscal Policies apply to all deposits and investments of the Corporation, including those made through an investment management firm, except the following:

- (a) mortgage loans, notes, and mortgage-backed securities;
- (b) assets pledged, or acquired with the intent to be pledged, to outstanding debt obligations of the Corporation; and
- (c) assets subject to other financial or program agreements.

1.07 Applicable Law. Where and to the extent that these Fiscal Policies conflict with applicable law, the terms of such law shall apply.

1.08 Effective Date. These Fiscal Policies take effect November 29, 2017, and supersede all previous Fiscal Policies.

Section 2. Deposits and Investments

2.01 General. The primary objectives of these Fiscal Policies with respect to deposits and investments of the Corporation are:

- (a) *Safety.* Preserve capital by mitigating credit and interest rate risk:
 - (i) Credit risk with respect to cash deposits is the risk that, in the event of failure of a depository financial institution, the Corporation would be unable to recover its deposited funds. It is mitigated by requiring collateralization of non-trusted, uninsured deposits. With respect to investments, credit risk is the risk of loss due to the failure of a security or its backer. It is mitigated by limiting investments to those highly-rated securities permitted in these Fiscal Policies and by pre-qualifying firms through which the Corporation administers its investment activities.
 - (ii) Interest rate risk is the risk that the market value of an investment declines due to changes in general interest rates. It is mitigated by structuring the investment portfolio such that securities mature as needed to meet cash requirements, thereby avoiding open market sales prior to maturity.
- (b) *Liquidity.* Investments shall remain sufficiently liquid to meet all reasonably anticipated funding requirements. In addition, the portfolio shall consist primarily of securities with active secondary or resale markets to allow for unexpected funding needs.
- (c) *Yield.* The investment portfolio shall be designed to attain a market rate of return throughout operating and economic cycles, taking into account investment risks and liquidity needs. Because yield is of lesser importance compared to safety and liquidity, the portfolio shall be limited to low-risk securities earning a fair return relative to the risk being assumed. Securities are generally expected to be held to maturity.
- (d) *Other.* Related objectives of these Fiscal Policies are to:
 - (i) Maintain an investment program utilizing custodians, in-house staff, and investment managers experienced in institutional investing, settlement, clearing, reporting, reconciliation, and use of multiple brokers for best execution.
 - (ii) Execute financial transactions with and through institutions with financial resources, which may include appropriate insurance policies and/or guarantees, sufficient to enable them to compensate for potential errors.
 - (iii) Maintain essential internal controls and audit trails both within the Corporation and through the custodian/investment manager/broker system.

2.02 Cash Balances. Cash balances include amounts held with financial institutions in demand deposit accounts and non-negotiable time deposit accounts. Such balances shall be maintained at the lowest levels necessary to support operational requirements, except when doing so would run counter to the Corporation's fiscal or programmatic interests. Sweep arrangements facilitating the overnight investment of such balances shall be used where appropriate. Any cash balances that are not swept into overnight investments must be either:

- (a) held under a trust arrangement for the Corporation's sole benefit; or
- (b) fully insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA); or
- (c) to the extent not insured by the FDIC or NCUA, collateralized by securities of the types described in 2.03(a), 2.03(b), and 2.03(c) of these Fiscal Policies, maintained at a minimum level of 105% and valued at least monthly.

2.03 Eligible Investments. Securities eligible for investment by the Corporation must be denominated in U.S. dollars and are limited to the following:

- (a) Obligations backed by the full faith and credit of the United States, including (but not limited to):
 - (i) U.S. Treasury obligations or specific portions of such obligations, including STRIPS (Separate Trading of Registered Interest Payments);
 - (ii) Farmers Home Administration obligations and certificates of beneficial ownership;
 - (iii) Mortgage-backed securities and participation certificates guaranteed by the Government National Mortgage Association, other than stripped mortgage securities or

certificates valued at greater than par on a portion of the unpaid principal.

(b) Obligations of U.S. government-sponsored enterprises (GSEs) and federal agencies not backed by the full faith and credit of the United States, including (but not limited to):

- (i) Agency discount notes;
- (ii) Fixed- and floating-rate medium-term notes;
- (iii) FHA debentures received in settlement of claims; and
- (iii) GSE-guaranteed mortgage-backed securities and participation certificates,

other than stripped mortgage securities or certificates valued at greater than par on a portion of the unpaid principal.

(c) Obligations of the World Bank (including, but not limited to, the International Finance Corporation and the International Bank for Reconstruction and Development) rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year or "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less.

(d) Money market funds rated at least "AAm" by S&P or "Aa-mf" by Moody's or "AAMmf" by Fitch.

(e) Banker's acceptances and negotiable certificates of deposit of any bank the unsecured short-term obligations of which are rated at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch and which is:

(i) incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities; or

(ii) a foreign bank with a branch or agency licensed under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities; or

(iii) a foreign bank having a long-term issuer rating of at least "AA" from S&P or "Aa2" from Moody's or "AA" from Fitch.

(f) Commercial paper, including asset-backed commercial paper, rated at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch.

(g) Repurchase agreements (repos) which are:

(i) with a counterparty designated as a primary dealer by the Federal Reserve and having a long-term debt rating of at least "A" by S&P or "A" by Moody's or "A" by Fitch or a short-term rating of at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch; and

(ii) where collateral is pledged at a minimum level of 102%, valued on a daily basis with a one-business-day cure period; and

(iii) where the term of such repurchase agreement is one week or less; and

(iv) where a third-party custodian, acting as the Corporation's agent, has possession of the collateral and holds such collateral in the Corporation's name; and

(v) where the agreement is evidenced by standard documents published by the Securities Industry and Financial Markets Association (SIFMA); and

(vi) where the securities to be repurchased are of the types described in §2.03(a), §2.03(b), and §2.03(c) above.

(h) Guaranteed investment contracts with a financial institution having outstanding unsecured long-term obligations rated, or an investment agreement rating of, at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch, or, if the term is one year or less, at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch. Foreign bank providers must have an office, branch, or agency licensed under the laws of the United States, and must provide an opinion of counsel that the agreement is enforceable under the laws of the foreign jurisdiction. The investment agreement must clearly state the exact entity of the obligor, the value of invested funds guaranteed, the fixed or variable rate of guaranteed interest, and the termination date. The agreement shall also contain either an unconditional and irrevocable obligation to pay or provide for the pledge of collateral meeting the requirements described in §2.03(g)(ii), §2.03(g)(iv), and §2.03(g)(vi) above.

(i) Fixed- and floating-rate notes and bonds (other than commercial paper) issued by corporate or municipal obligors and rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year, or at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing, or with a provision for investor withdrawal or put at par, in one year or less.

(j) Asset-backed securities (other than asset-backed commercial paper) rated at least "AA+" by S&P or "Aa1" by Moody's or "AA+" by Fitch.

(k) Investment pools managed by the State of Alaska, including the General Fund and Other Non-Segregated Investments (GeFONSI) pool.

2.04 Investment Term.

(a) Pursuant to §2.01, cash flows to be received from investments shall be timed to match the Corporation's projected need for use of such funds. Cash flow may be managed on an investment-specific basis or by establishing segregated accounts with varying duration guidelines.

(b) When matching investment returns to investment goals and liquidity requirements, care shall be exercised not to rely simply on the maturity date of the security. Other factors, such as the payment pattern of the investment, its coupon, the possible deferral or acceleration of all or a portion of principal or interest, and optional or mandatory redemption provisions can significantly impact the timing of the return of the investment and thereby impact the duration of the security.

2.05 Concentration Limits.

(a) Investments shall not be executed which would cause the following maximum concentration percentages, where applicable, to be exceeded when considered on an aggregate basis for all investments subject to these Fiscal Policies:

§2.03 Investment Category	Category Limit as % of Total Portfolio	Issuer Limit as % of Total Portfolio
§2.03(a) U.S. government obligations	n/a	n/a
§2.03(b) U.S. GSEs and agencies	n/a	35%
§2.03(c) World Bank obligations	n/a	35%
§2.03(d) Money market funds	n/a	n/a
§2.03(e) Banker's acceptances, negotiable CDs	n/a	5%
§2.03(f) Commercial paper	n/a	5%
§2.03(g) Repurchase agreements	n/a	25%
§2.03(h) Guaranteed investment contracts	n/a	5%
§2.03(i) Corporate and municipal notes and bonds	n/a	5%
§2.03(j) Asset-backed securities	20%	5%
§2.03(k) State of Alaska investment pools	n/a	n/a

(b) The CEO / Executive Director may establish further restrictions within the parameters of these Policies.

(c) The provisions of §2.05(a) notwithstanding, investments are permitted which would result in category concentration excesses, provided such investments:

- (i) mature, or allow for withdrawal or tender at par, within 31 days; and
- (ii) are otherwise eligible investments; and
- (iii) the CEO/Executive Director has determined that investment in such other securities as may be available within the concentration limits and timing parameters would not serve the Corporation's best interests.

2.06 Ratings. A security becomes ineligible for investment if and when it ceases to meet the minimum ratings requirements detailed in §2.03 or if and when placed on credit watch with negative implications by S&P or Moody's or Fitch, except where:

- (a) minimum ratings requirements have not been established for the §2.03 investment category under which the security is otherwise eligible for purchase; or
- (b) a determination is made by or under the direction of the CEO/Executive Director that such credit watch is not expected to reduce the security's rating below the required minimums for the §2.03 investment category under which the security is otherwise eligible for purchase; or
- (c) such security is currently owned by the Corporation, in which case it may be sold prior to or held until maturity (but not repurchased) at the discretion of the CEO/Executive Director in keeping with the Corporation's best interests.

2.07 Derivative Products.

(a) For purposes of this section and these Fiscal Policies, the term “derivative products” shall mean financial instruments or agreements whose own value is derived from or based upon the value of other assets or on the level of an interest rate or other index, or which have complex structures with option-like features whether embedded in another instrument or stand-alone in nature, including (but not limited to): collateralized mortgage obligations (CMOs), interest-only (IOs), principal-only (POs), forwards, futures, currency and interest rate swaps, options, floaters/inverse floaters, and caps/floors/collars.

(b) Derivative products exist as discrete instruments, separate and apart from their underlying assets. As such, the authority granted under these Fiscal Policies to invest in specific types of securities shall not be construed as authorizing the use of derivatives based upon such securities. Instead, the acquisition or execution of derivative products shall require specific approval by the Board of Directors after considering the following information from staff:

- (i) a description of the derivative product;
- (ii) the rationale for using the derivative product;
- (iii) the marketability of the derivative product;
- (iv) the risks associated with the derivative product; and
- (v) the method by which the derivative product will be acquired.

(c) Staff shall utilize data gathering and monitoring systems to stay aware of changes that may warrant adjustments to the level or character of the Corporation’s derivative portfolio and to periodically provide information concerning derivative performance, valuation, and risks to the Board of Directors and senior management.

2.08 Execution and Administration. The Corporation may act on its own behalf or retain one or more outside firms to assist in the execution, administration, or reporting of investments. Investment managers must be registered with the SEC and the State of Alaska as 1940 Act investment advisors or be affiliates of major U.S. banks. Investment managers will be recommended through a Request for Proposals (“RFP”) process conducted by staff with selection made by the Board of Directors. The aggregate amount of Corporation assets managed by any specific investment manager shall not exceed 10% of the total assets managed by such investment manager. An investment manager must have and maintain equity equal to or greater than 1/10th of 1% of the amount of Corporation assets it manages.

2.09 Internal Controls. The CEO/Executive Director is responsible for establishing and maintaining an internal control structure that protects the Corporation’s assets from loss, theft, or misuse, while reasonably balancing the costs of such controls against the benefits likely to be derived from them. Because the valuation of costs and benefits requires estimates and judgments by management, the CEO/Executive Director shall arrange for annual independent reviews by an external auditor to assure compliance with policies and procedures. The internal control structure shall address the following points:

- (a) Controls against collusion.
- (b) Separation of transaction authority from accounting and recordkeeping.
- (c) Custodial safekeeping and avoidance of physical delivery securities.
- (d) Clear delegation of authority to subordinate staff members.
- (e) Authorization for transactions.
- (f) Wire transfer procedures and controls.

2.10 Payment, Custody, and Safekeeping. When applicable, trades will be executed delivery vs. payment (DVP), where securities subject to purchase are deposited in an eligible financial institution simultaneous with the release of funds. Securities will be held by a third party custodian and evidenced by safekeeping receipts. Clearing, settlement, custody, and safekeeping must be provided by a state or national bank trust department which is experienced in the investment manager/custodian/multiple broker process. The custodian/safekeeping agent will be recommended by staff through an RFP process with selection made by the Board of Directors.

2.11 Collateral. Corporation staff shall monitor collateral posted pursuant to §2.02 and §2.03 of these Fiscal Policies to assure compliance with the requirements thereof. Such monitoring shall include independent verification of the pricing/valuation of the collateral securities pledged.

2.12 Performance Standards. Should the Board of Directors or the CEO/Executive Director establish specific performance targets for rates of return on the investment portfolio, such targets shall be structured in relation to relevant indices rather than to fixed levels of return. Furthermore, target yield spreads shall be reevaluated at least every six months to ensure that they remain reasonable for the securities authorized. No individual involved in the Corporation's investment process shall receive compensation of any form based directly or indirectly on the performance of a specific investment or portfolio of investments.

Section 3. Securities Lending

3.01 Application.

- (a) These Fiscal Policies shall apply to all securities lent by the Corporation.
- (b) The Corporation may develop and implement a program to lend securities held by it to increase investment earnings or reduce investment, trust, or custodial service fees.
- (c) In determining whether to implement or maintain a securities lending arrangement or program, the Corporation shall consider the inherent risks, projected benefits, monitoring requirements, and capabilities of staff.
- (d) Staff shall maintain monthly reports of program utilization and net economic benefit, and shall provide such to the Board of Directors as requested.

3.02 Authorized Amount. Recognizing that the types and amounts of eligible securities held and available for lending may vary significantly, there is no specific limit on the amount of securities which the Corporation may lend in accordance with this Section 3 of the Fiscal Policies.

3.03 Eligible Securities. The Corporation may lend any investment securities, program loans, or mortgage certificates acceptable to a borrower, provided that the requirements of these Fiscal Policies are met. It is understood that the lending of any assets subject to specific pledge pursuant to various financing agreements would require the approval and cooperation of the trustee.

3.04 Execution and Administration.

- (a) The Corporation may select one or more securities firms, banks, or trust companies to act as securities lending agent, taking into consideration such factors as:
 - (i) credit worthiness,
 - (ii) collateral arrangements,
 - (iii) indemnification provisions,
 - (iv) borrower credit requirements and concentration limits,
 - (v) other risk/security factors including borrower credit monitoring,
 - (vi) earnings and/or fee reduction arrangements,
 - (vii) expected program utilization levels,
 - (viii) operational and reporting capabilities,
 - (ix) relevant experience of the firm and assigned individuals,
 - (x) expected costs to be incurred by, and staff support required of, the Corporation,
 - (xi) any other factors determined appropriate.
- (b) Security loans arranged through an agent may be allocated among principals other than the Corporation who are also represented by the agent.
- (c) The securities lending arrangement or program, including the loan maturity terms, shall be structured to minimize interference with the Corporation's normal investment and program funding activities.
- (d) Securities subject to a loan will be delivered only upon custodial receipt of the required collateral.
- (e) Systems and procedures will be designed and implemented to facilitate the necessary communication and coordination of activities between the Corporation, the securities lending agent, securities custodian, and investment manager or trustee.
- (f) The Corporation will implement a securities lending program only upon specific approval by resolution of the Board of Directors.

3.05 Program Risks and Indemnification. The terms of any securities lending agreement and related documentation shall provide that:

- (a) the Corporation be indemnified by the securities lending agent against borrower credit risk, borrower default risk, and collateral maintenance risk; and
- (b) the Corporation accepts securities lending agent credit risk and collateral reinvestment risk where investments have been made in compliance with the Corporation's written instructions.

3.06 Collateral Amount and Valuation.

- (a) Collateral received in exchange for the loan will be required in an amount at least equal to
- (i) 102% of the securities lent plus accrued interest if in the form of investment securities, or
 - (ii) 100% of the securities lent plus accrued interest if in the form of cash.
- (b) Collateral, including investments made with cash collateral, is subject to the requirements of Section 2 of these Fiscal Policies, including those relating to eligible securities and concentration limits.
- (c) The securities lending agent may invest cash collateral on behalf of the Corporation consistent with the investment requirements of Section 2 of these Fiscal Policies.
- (d) Collateral shall be reinvested in securities with maturities which match, as closely as reasonably and economically possible, the maturities of the related securities lent by the Corporation.
- (e) Staff shall monitor posted collateral to assure compliance, with such monitoring to include independent verification of the pricing/valuation of the collateral securities pledged.

3.07 Documentation. The Corporation shall, directly or through its agent, use standard documents published by the Securities Industry and Financial Markets Association (SIFMA) when applicable. The Board of Directors shall approve the form of any securities loan agreement based upon non-standard documentation.

Section 4. Reverse Repurchase Agreements

4.01 Application.

- (a) These Fiscal Policies apply to all reverse repurchase transactions entered into by the Corporation.
- (b) The Corporation may execute reverse repurchase transactions without prior approval of the Board of Directors to:
 - (i) temporarily refund outstanding tax-exempt notes and other tax-exempt obligations prior to their permanent refunding through the issuance of tax-exempt bonds.
 - (ii) obtain liquidity necessary to meet program or operating requirements.
- (c) Upon approval of the Board of Directors, the Corporation may execute reverse repurchase transactions for investment purposes.
- (d) The Corporation may only enter into reverse repurchase agreements with counterparties designated as primary dealers by the Federal Reserve.

4.02 Authorized Amount. The Corporation shall execute reverse repurchase transactions in the amounts necessary to accomplish the purposes set forth in §4.01, provided, however, that in no instance shall the aggregate outstanding amount of such transactions exceed \$500,000,000.

4.03 Eligible Securities. Securities subject to reverse repurchase agreements must be owned and fully paid for by the Corporation, and shall be restricted to those described in §2.03(a), §2.03(b), and §2.03(c).

4.04 Delivery of Securities. Securities subject to reverse repurchase agreements shall be:

- (a) delivered to a third-party custodial account expressly identified as being that of the buyer; or
- (b) held by the Corporation in a segregated account with other securities delivered, if required, to a third-party custodian as additional collateral in compliance with the provisions of the applicable master repurchase agreement.

4.05 Maturity Terms.

- (a) The Corporation may enter into reverse repurchase agreements with maturity terms not exceeding 92 days.
- (b) Funds obtained by the Corporation in connection with reverse repurchase agreements shall be invested in eligible securities as described in §2.03. Such securities shall be subject to the concentration limit provisions of §2.05 and shall mature no later than the maturity dates of the related reverse repurchase agreements.

4.06 Execution and Administration. The Corporation may act on its own behalf or may retain one or more investment managers to assist in the execution of reverse repurchase agreement transactions and/or administration of its reverse repurchase program.

4.07 Documentation.

All reverse repurchase agreements entered into by the Corporation shall be evidenced by standard documents published by the Securities Industry and Financial Markets Association (SIFMA) or equivalent.

Section 5. Issuance of Long-Term Debt

5.01 Determining Method-of-Sale.

(a) Prior to considering an underwriting group, a review of the transaction will be performed by staff with the assistance of the Corporation's financial advisor to determine the most appropriate method-of-sale. Factors which will be considered in determining whether the issue should be sold through a competitive or negotiated sale include:

- (i) The size, structure, and expected complexity of the transaction.
- (ii) The flexibility desired with regard to market timing, taking into consideration recent and anticipated market volatility.
- (iii) The benefits of an objective method of determining interest rates and underwriting fees inherent in a competitive sale.
- (iv) The benefits that might be achieved through a negotiated process, such as analytical assistance, recommendations regarding structural enhancements, implementation of a comprehensive pre-marketing program targeted to potential investors, and the likelihood of such benefits resulting in a lower overall cost of funds.
- (v) Recent events, whether positive or negative, which may have an impact on the market acceptance of the transaction. Consideration should be given to the likelihood that through the pre-marketing effort possible with a negotiated issue the pricing benefit of the events would be maximized or detriment minimized. These events could include federal or state legislative action, rating agency comments or actions, or in-state economic issues.
- (vi) The desire to influence the marketing of the debt to assure in-state demand for the Corporation's debt securities is met or to otherwise target all or a portion of the issue to a particular market or market segment.
- (vii) The lower all-in cost of funds which might be achieved as a result of requesting bids for the bonds on a competitive basis. Consideration would be given to the expected lower fees and expenses of a competitive transaction.

(b) The method-of-sale review will be documented in writing and provided to the Board of Directors in connection with their consideration of the proposed transaction. The written review will include staff's recommendation of the most appropriate method-of-sale.

5.02 Competitive Sale. If a transaction would best be done on a competitive basis, staff, assisted by the Corporation's bond counsel and financial advisor, would structure the issue and prepare the financing documents for consideration by the Board of Directors. The Board would authorize the transaction in advance of the distribution of the Official Notice of Sale which initiates the bidding process.

5.03 Negotiated Sale. If a transaction would best be done as a negotiated sale:

- (a) Staff shall conduct an RFP process as follows:
 - (i) The RFP shall be distributed to a group of no less than five (5) firms of national standing whose inclusion staff feels shall best serve the Corporation's interests.
 - (ii) The RFP responses will be reviewed and scored by a committee consisting of Corporation staff and the Corporation's financial advisor.
- (b) Notwithstanding the foregoing section 5.03(a), if an unsolicited proposal is received that includes "significant structural features of benefit" to the Corporation (e.g. features which are specifically and uniquely appropriate to the proposed financing and are present to an extent sufficient in staff's estimation to result in substantial benefit to the Corporation), the proposing firm may at the Corporation's discretion be directly appointed as senior manager for the proposed transaction without undertaking the RFP process.
- (c) Pursuant to either section 5.03(a) or 5.03(b) above, staff shall recommend to the Board of Directors one or more firms to manage the transaction in connection with the Board's consideration of the proposed transaction.
- (d) All bond purchase agreements among the Corporation and underwriters must provide for application of Alaska law and may not provide indemnification to the underwriters.

5.04 Underwriter's Counsel. To achieve consistency in financing team participants and reduce costs incurred in the issuance of debt securities, underwriters will be requested to use counsel having substantial prior experience with the Corporation's financing programs.