**NEW ISSUES AND CONVERSION - BOOK ENTRY ONLY**

*This cover page contains information for quick reference only. It is not a summary of the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.*

# $229,055,000
# ALASKA HOUSING FINANCE CORPORATION
## Mortgage Revenue Bonds

| New Issues | | Conversion† | |
|---|---|---|---|
| **$28,945,000** | **2011 Series A (Federally Taxable)** | **$128,750,000** | **2009 Series A-2** |
| **$56,890,000** | **2011 Series B-1** | | |
| **$14,470,000** | **2011 Series B-2** | | |

*Dated* Date of delivery.

*Due* As shown on inside cover page.

*Price* 100%

*Tax Exemption* Interest on the 2011 Series A Bonds described above (the "2011 Series A Bonds") is *included* in gross income for Federal income tax purposes. In the opinion of Bond Counsel and Special Tax Counsel, assuming compliance with certain covenants designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code" ), under existing laws, regulations, rulings and judicial decisions, (i) interest on the 2011 Series B-1 Bonds described above (the "2011 Series B-1 Bonds") and the 2011 Series B-2 Bonds described above (the "2011 Series B-2 Bonds"; together with the 2011 Series B-1 Bonds, the "2011 Series B Bonds"; the 2011 Series A Bonds and the 2011 Series B Bonds collectively, the "2011 Bonds") from their date of issuance and the 2009 Series A-2 Bonds described above (the "Program Bonds"; together with the 2011 Bonds, the "Subject Bonds") from the Release Date (as defined herein) is excluded from gross income for Federal income tax purposes; (ii) interest on the Program Bonds is not a specific preference item or included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax; and (iii) interest on the 2011 Series B Bonds is not a specific preference item for purposes of the federal alternative minimum tax, but such interest is included in adjusted current earnings of certain corporations for purposes of the federal alternative minimum tax. In the opinion of Bond Counsel, under existing laws, interest on the Subject Bonds is free from taxation by the State of Alaska except for inheritance and estate taxes and taxes of transfers by or in anticipation of death. Bond Counsel and Special Tax Counsel express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Subject Bonds. See "Tax Matters."

*Redemption* The Subject Bonds are subject to redemption at par prior to maturity under the circumstances described herein. See "The Subject Bonds — Redemption Provisions."

*Interest Rates* The Subject Bonds will bear interest at the rates set forth on the inside cover page.

*Security* **The Bonds are general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of money in the Corporation's Housing Development Fund. The Bonds will be secured by Program Obligations and amounts in the Funds and Accounts (excluding the Rebate Fund) held under the Indenture. See "Sources of Payment and Security for the Bonds" and "Program Obligations." THE CORPORATION HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF. THE BONDS ARE GENERAL OBLIGATIONS OF THE CORPORATION AND ARE NOT INSURED OR GUARANTEED BY ANY OTHER GOVERNMENTAL AGENCY.**

| | |
|---|---|
| *Interest Payment Dates* | 2011 Bonds: June 1, 2012, and thereafter on each June 1 and December 1.<br>Program Bonds: January 22, 2012, and thereafter on each June 1 and December 1. |
| *Denominations* | 2011 Bonds: $5,000 or any integral multiple thereof.<br>Program Bonds: $10,000 or any integral multiple thereof. |
| *Closing Date* | November 22, 2011. |
| *Bond Counsel* | Birch Horton Bittner & Cherot. |
| *Special Tax Counsel* | Kutak Rock LLP. |
| *Underwriters' Counsel* | Hawkins Delafield & Wood LLP. |
| *Trustee* | U.S. Bank National Association. |
| *Financial Advisor* | FirstSouthwest. |
| *Book-Entry System* | The Depository Trust Company. See "The Subject Bonds — Book Entry Only." |

The 2011 Bonds (except to the extent not reoffered) are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Bond Counsel, and to the confirmation of certain tax matters by Bond Counsel and Special Tax Counsel, and to certain other conditions.

**Morgan Keegan**

**BofA Merrill Lynch** **Edward Jones** **George K. Baum & Company** **J.P. Morgan**
**KeyBanc Capital Markets** **Morgan Stanley** **Siebert Brandford Shank & Co., LLC**

November 2, 2011

† Not reoffered.

# MATURITY SCHEDULE

# NEW ISSUES

## $28,945,000 2011 Series A Bonds (Federally Taxable)

$28,945,000 2.80% 2011 Series A Term Bonds due December 1, 2026 CUSIP†: 01170RDA7

## $56,890,000 2011 Series B-1 Bonds

$56,890,000 2011 Series B-1 Serial Bonds

| Maturity Date | Principal Amount | Interest Rate | CUSIP† | Maturity Date | Principal Amount | Interest Rate | CUSIP† |
|---|---|---|---|---|---|---|---|
| December 1, 2012 | $1,175,000 | 0.400% | 01170RCB6 | June 1, 2018 | $2,690,000 | 2.700% | 01170RCN0 |
| June 1, 2013 | 2,980,000 | 0.700% | 01170RCC4 | December 1, 2018 | 2,645,000 | 2.800% | 01170RCP5 |
| December 1, 2013 | 3,000,000 | 0.800% | 01170RCD2 | June 1, 2019 | 2,600,000 | 3.000% | 01170RCQ3 |
| June 1, 2014 | 3,025,000 | 1.200% | 01170RCE0 | December 1, 2019 | 2,560,000 | 3.100% | 01170RCR1 |
| December 1, 2014 | 3,050,000 | 1.350% | 01170RCF7 | June 1, 2020 | 2,520,000 | 3.300% | 01170RCS9 |
| June 1, 2015 | 2,920,000 | 1.700% | 01170RCG5 | December 1, 2020 | 2,485,000 | 3.300% | 01170RCT7 |
| December 1, 2015 | 2,930,000 | 1.800% | 01170RCH3 | June 1, 2021 | 2,450,000 | 3.375% | 01170RCU4 |
| June 1, 2016 | 2,905,000 | 2.100% | 01170RCJ9 | December 1, 2021 | 2,420,000 | 3.375% | 01170RCV2 |
| December 1, 2016 | 2,845,000 | 2.200% | 01170RCK6 | June 1, 2022 | 2,390,000 | 3.600% | 01170RCW0 |
| June 1, 2017 | 2,790,000 | 2.400% | 01170RCL4 | December 1, 2022 | 2,360,000 | 3.600% | 01170RCX8 |
| December 1, 2017 | 2,735,000 | 2.500% | 01170RCM2 | June 1, 2023 | 1,415,000 | 3.750% | 01170RCY6 |

## $14,470,000 2011 Series B-2 Bonds

$14,470,000 4.05% 2011 Series B-2 Term Bonds due June 1, 2026 CUSIP†: 01170RCZ3

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## CONVERSION††

## $128,750,000 2009 Series A-2 Bonds

$128,750,000 2009 Series A-2 Term Bonds due December 1, 2041 CUSIP†: 01170RDB5

Interest rate from and including November 22, 2011 to but not including January 22, 2012: Short-Term Rate (as described herein under "The Subject Bonds — General").

Interest rate from and including January 22, 2012: Permanent Rate (as described herein under "The Subject Bonds — General").

† CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is set forth for convenience of reference only. Neither the Corporation nor the Underwriters of the 2011 Bonds assume any responsibility for the accuracy of such data.

†† Not reoffered.

**No dealer, broker, salesman or other person has been authorized by the Corporation or the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2011 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Corporation and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Subject Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.**

**In connection with the offering of the 2011 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2011 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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**OFFICIAL STATEMENT**
**OF**
**ALASKA HOUSING FINANCE CORPORATION**

**Relating to**

**$229,055,000 Mortgage Revenue Bonds**

| New Issues | Conversion[†] |
|---|---|
| **$28,945,000 2011 Series A (Federally Taxable)** | **$128,750,000 2009 Series A-2** |
| **$56,890,000 2011 Series B-1** | |
| **$14,470,000 2011 Series B-2** | |

## INTRODUCTION

This Official Statement (including the cover page, inside cover page and appendices) of the Alaska Housing Finance Corporation (the "Corporation") sets forth information in connection with the Corporation's Mortgage Revenue Bonds, 2009 Series A-2 (the "Program Bonds") subsequent to their Release (as defined below), its Mortgage Revenue Bonds, 2011 Series A (the "2011 Series A Bonds") and its Mortgage Revenue Bonds, 2011 Series B (the "2011 Series B Bonds"). The 2011 Series B Bonds consist of two Subseries, designated Mortgage Revenue Bonds, 2011 Series B-1 (the "2011 Series B-1 Bonds"), and Mortgage Revenue Bonds, 2011 Series B-2 (the "2011 Series B-2 Bonds"). The 2011 Series A Bonds and the 2011 Series B Bonds are referred to collectively as the "2011 Bonds." The 2011 Series A Bonds and the 2011 Series B-1 Bonds are referred to collectively as the "Market Bonds." The Program Bonds and the Market Bonds are referred to collectively as the "Related Bonds." The Program Bonds and the 2011 Bonds are referred to collectively as the "Subject Bonds."

The 2011 Bonds are authorized to be issued pursuant to Chapters 55 and 56 of Title 18 of the Alaska Statutes, as amended (the "Act"), an Indenture, dated as of August 15, 1996, as amended and supplemented (the "General Indenture"), by and between the Corporation and U.S. Bank National Association, Seattle, Washington, as trustee (the "Trustee"), and a 2011 Series A and Series B Supplemental Indenture, dated as of November 1, 2011 (the "2011 Series A/B Supplemental Indenture"), by and between the Corporation and the Trustee. The Program Bonds are a Subseries of the Corporation's Mortgage Revenue Bonds, 2009 Series A (the "2009 Series A Bonds") issued pursuant to the Act, the General Indenture, and a 2009 Series A Supplemental Indenture, dated as of December 1, 2009, as amended (the "2009 Series A Supplemental Indenture"), by and between the Corporation and the Trustee. All bonds outstanding under the General Indenture (including additional bonds which may hereafter be issued) are referred to collectively as the "Bonds." Each series of Bonds is issued pursuant to a Supplemental Indenture. The General Indenture and all Supplemental Indentures (including the 2009 Series A Supplemental Indenture and the 2011 Series A/B Supplemental Indenture) are referred to collectively as the "Indenture." The Bonds issued under the Indenture prior to the issuance of the 2011 Bonds, including the 2009 Series A Bonds, are referred to collectively as the "Prior Series Bonds." Capitalized terms used and not otherwise defined herein have the

[†] Not reoffered.

respective meanings ascribed thereto in the Indenture. See "Summary of Certain Provisions of the Indenture — Certain Definitions."

The 2011 Series A Bonds and the 2011 Series B Bonds are the fourteenth and fifteenth Series of Bonds, respectively, issued under the Indenture. As of September 30, 2011, there were Prior Series Bonds (including the 2009 Series A Bonds) Outstanding in the aggregate principal amount of $301,505,000. The Corporation is permitted to issue additional bonds (including refunding bonds) pursuant to and secured under the Indenture ("Additional Bonds"), subject to certain conditions. See "Sources of Payment and Security for the Bonds — Additional Bonds." The 2011 Bonds will be secured on a parity with the Prior Series Bonds and with any Additional Bonds.

The underwriters listed on the cover page (the "Underwriters") will act as underwriters with respect to the 2011 Bonds. The Program Bonds are described in this Official Statement but are not being offered for sale by the Corporation or the Underwriters. The obligation of the Underwriters to purchase the 2011 Bonds is conditioned on the Release (defined below) of the Program Bonds (see "Underwriting"). The Program Bonds and the 2011 Series B Bonds will constitute a single composite issue for Federal tax purposes.

The Corporation issued the 2009 Series A Bonds, in the aggregate principal amount of $193,100,000, as part of the New Issue Bond Program (the "NIBP") of the United States Department of the Treasury (the "Treasury"). Fannie Mae and the Federal Home Loan Mortgage Corporation (each, a "GSE" and collectively, the "GSEs") purchased the 2009 Series A Bonds under the NIBP. The proceeds of the 2009 Series A Bonds initially were deposited in an escrow fund (the "2009 Series A Escrow Fund"). Upon satisfaction of certain conditions, moneys can be released from the 2009 Series A Escrow Fund (each such event, a "Release") for use to fund Mortgage Loans and Mortgage Certificates (each such term as defined below), to make deposits to the Debt Service Reserve Account or the Special Reserve Fund, to refund the Corporation's variable-rate debt (subject to certain limitations set forth in the 2009 Series A Supplemental Indenture), or to redeem 2009 Series A Bonds, and to pay costs of issuance of the 2009 Series A Bonds. The 2009 Series A Bonds with respect to which a Release has not occurred bear a short-term interest rate equal to the investment earnings on the proceeds of such Bonds. The Corporation may effect a Release of such proceeds on one or more (not to exceed six) dates (each a "Release Date"). Any proceeds remaining in escrow on January 1, 2012 are to be applied to redeem 2009 Series A Bonds with respect to which a Release has not occurred.

There has previously been one Release by the Agency with respect to 2009 Series A Bonds in the aggregate principal amount of $64,350,000 on September 30, 2010. The Release with respect to the Program Bonds is expected to be in the aggregate principal amount of $128,750,000. No proceeds of the 2009 Series A Bonds will remain in escrow following the Release with respect to the Program Bonds if the Release occurs in such aggregate principal amount.

In connection with each Release, the Corporation designates the applicable 2009 Series A Bonds as a Subseries of the 2009 Series A Bonds, as it will do with respect to the Program Bonds. Beginning on the Release Date, interest on such Subseries of the 2009 Series A Bonds will be changed to an interim rate for two months, then to a long-term rate until maturity or prior redemption. The GSEs will retain ownership of the Program Bonds following the Release.

One of the conditions to each Release is that the Corporation sell Bonds in a principal amount equal to at least two-thirds of the amount of 2009 Series A Bond proceeds being released. The issuance of the Market Bonds will satisfy this condition with respect to the Program Bonds.

If there is no Release with respect to the Program Bonds, the issuance of the 2011 Bonds will be canceled.

A portion of the amounts to be withdrawn from the 2009 Series A Escrow Fund on the Release Date with respect to the Program Bonds are expected to be used to purchase Mortgage Loans from a pool of certain previously originated Mortgage Loans (the "Available Mortgage Loans"). However, no assurance is given as to what portion, if any, of the Available Mortgage Loans will be allocated to the Program Bonds. The balance of such amounts withdrawn are expected to be used to purchase Mortgage Loans (defined herein). Amounts withdrawn from the 2009 Series A Escrow Fund will be available to purchase Mortgage Loans on and after the Release Date of the Program Bonds. See "Assumptions Regarding Revenues, Debt Service Requirements and Program Expenses." For a description as of September 30, 2011 of the Available Mortgage Loans, see "Program Obligations — Mortgage Loans — Available Mortgage Loans."

Proceeds of the 2011 Series A Bonds will be used to redeem all of the Corporation's Outstanding Mortgage Revenue Bonds, 2001 Series B (the "Refunded MRB Bonds"). In connection with such redemption, certain of the mortgage loans (the "Series A Reallocated Mortgage Loans") and other amounts currently allocated to the Refunded MRB Bonds, which are already subject to the lien and pledge of the Indenture, will be reallocated to the 2011 Series A Bonds.

Proceeds of the 2011 Series B Bonds will be used, within 90 days of the date of issuance thereof, to redeem an equal amount of obligations of the Corporation (the "Refunded Obligations"). In connection with such redemption, the mortgage loans (the "Transferred Mortgage Loans") currently allocated to the Refunded Obligations will be transferred to and become subject to the lien and pledge of the Indenture. For a description as of September 30, 2011 of the Transferred Mortgage Loans, see "Program Obligations — Mortgage Loans — Transferred Mortgage Loans." The Corporation expects to transfer substantially all of the Transferred Mortgage Loans to the Indenture. However, the aggregate principal balance of such loans transferred to the Indenture will be reduced by principal prepayments and scheduled principal repayments received prior to such transfer.

The Mortgage Loans financed with proceeds of the Program Bonds, the Transferred Mortgage Loans, and a portion of the Series A Reallocated Mortgage Loans are referred to collectively as the "Related Mortgage Loans" and are expected to have balances at their respective times of financing or allocation aggregating to $214,585,000. The Related Mortgage Loans together with the balance of the Series A Reallocated Mortgage Loans will constitute all of the Mortgage Loans allocated to or financed with amounts attributable to the Subject Bonds, and are referred to collectively as the "Subject Mortgage Loans."

The Corporation has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State of Alaska (the "State") or a pledge of its faith and credit or taxing power. The Bonds are general obligations of the Corporation and are not insured or guaranteed by any other governmental agency.

The Bonds are general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of moneys in the Corporation's Housing Development Fund. A significant portion of the assets of the Corporation is pledged to the payment of outstanding obligations of the Corporation. See Appendix A, which contains the most recent audited financial statements of the Corporation.

It is expected that the Bonds will be primarily secured by a portfolio of Program Obligations, consisting of whole mortgage loans (the "Mortgage Loans") and mortgage-backed pass-through certificates (the "Mortgage Certificates"). The Bonds also may be secured by other mortgage instruments if there will be no adverse effect on the ratings then assigned to the Bonds. The Mortgage Loans will be first-lien mortgage loans with respect to single family residences located in the State. See "Sources of Payment and Security for the Bonds," "Program Obligations" and the definitions of Mortgage Loan and Program Obligations under "Summary of Certain Provisions of the Indenture — Certain Definitions."

The summaries herein of the Subject Bonds, the Indenture, the Continuing Disclosure Certificate (defined below) and other documents and materials are brief outlines of certain provisions contained therein and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act, the Indenture and such other documents and materials for the complete provisions thereof, copies of which will be furnished by the Corporation upon request. See "The Corporation — General" for the Corporation's address and telephone number.

## SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

### General

The Prior Series Bonds and the 2011 Bonds are, and any Additional Bonds issued under the Indenture will be, general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made or to be made with the holders of other obligations of the Corporation, pledging particular revenues and assets not pledged to the Bonds and to the exclusion of moneys in the Corporation's Housing Development Fund. All Bonds issued under the Indenture will be secured on a parity lien basis under the Indenture. See "Sources of Payment and Security for the Bonds — Additional Bonds."

The Bonds are secured by a pledge of (a) Program Obligations, (b) all amounts held in any Fund or Account under the Indenture (except the Rebate Fund) and (c) Pledged Revenues.

See “Sources of Payment and Security for the Bonds — Program Obligations,” “Program Obligations” and the definitions of Pledged Revenues and Program Obligations under “Summary of Certain Provisions of the Indenture — Certain Definitions.”

Amounts on deposit in the Funds and Accounts under the Indenture may be applied only as provided in the Indenture. Amounts in the Revenue Fund, *however,* after providing for the payment of (i) scheduled debt service on the Bonds, (ii) any amount needed to restore the Debt Service Reserve Account to the Debt Service Reserve Requirement and (iii) Program Expenses, may be withdrawn free and clear of the lien of the Indenture; *provided* that such withdrawal is indicated in the most recent Bond Coverage Certificate; and *provided further* that such Certificate demonstrates an Asset-to-Liability Ratio of at least 103% through the final maturity date of the Bonds. See “Summary of Certain Provisions of the Indenture — Revenue Fund.”

The Bonds are secured by a Debt Service Reserve Account and a Special Reserve Fund. See “Sources of Payment and Security for the Bonds — Debt Service Reserve Account” and “ — Supplemental Mortgage Coverage.”

**Program Obligations**

As of the date hereof, the lendable proceeds of the Prior Series Bonds have been fully expended to finance Mortgage Loans. For a description as of September 30, 2011 of the Mortgage Loans financed with proceeds of Prior Series Bonds (the “Prior Series Mortgage Loans”), see “Program Obligations — Mortgage Loans — Prior Series Mortgage Loans.”

Mortgage Loans are required by the General Indenture to be secured by first lien deeds of trust on single-family residences in the State and bear a fixed rate of interest for initial terms of not less than 15 years but not more than 30 years. The Prior Series Mortgage Loans, the Related Mortgage Loans and the Transferred Mortgage Loans consist of, or are expected to consist of, conventional Mortgage Loans, Mortgage Loans subject to a guarantee of the United States Department of Veterans Affairs (formerly the Veterans Administration; the “VA”), the United States Department of Housing and Urban Development (“HUD”) or Rural Development (formerly the Farmers Home Administration of the United States Department of Agriculture; “FmHA”) and Mortgage Loans insured by the Federal Housing Administration (“FHA”). The Mortgage Loans will be serviced by qualifying eligible servicing institutions, which generally are the originating institutions. See “Program Obligations.”

Any Mortgage Loan with an original principal amount exceeding 80% of the value of the mortgaged property is required to be (i) insured by FHA, (ii) guaranteed by the VA, HUD or FmHA or (iii) insured under a private mortgage insurance policy at least until such time as the ratio of the outstanding loan balance to the original property value is equal to or less than 80%. See “Program Obligations — Primary Mortgage Insurance.”

**Debt Service Reserve Account**

Upon delivery of the 2011 Bonds and on the Release Date with respect to the Program Bonds, one or more deposits are expected to be made to the credit of the Debt Service Reserve Account in the aggregate amount set forth under “Estimated Sources and Uses of Funds.” The General Indenture requires the Debt Service Reserve Account to be maintained in an amount (the

"Debt Service Reserve Requirement") at least equal to the greater of (i) 2% of the sum of (x) the outstanding principal balance of all Mortgage Loans in the Program Obligation Fund and (y) all other amounts on deposit in the Program Obligation Fund and (ii) the sum of the Debt Service Reserve requirements established for each Series of Bonds. See "Summary of Certain Provisions of the Indenture — Revenue Fund."

If, on the third Business Day prior to any Debt Service Payment Date, the amount on deposit, or to be deposited on such Debt Service Payment Date (after taking into account any Series Account and Series Subaccount transfers permitted under the Indenture), in a Series Subaccount of the Bond Interest Account, the Scheduled Principal Account or the Redemption Account is less than the amount required to pay the interest on, the principal of and the sinking fund installments on the related Series of Bonds due on such date, any deficiency will be satisfied with a transfer from the Debt Service Reserve Account to the applicable Series Subaccount. If the amount in the Debt Service Reserve Account is insufficient, the Corporation may advance funds, or available moneys from the Special Reserve Fund may be applied to cover any such insufficiency.

If, at any time, the amount in the Debt Service Reserve Account is less than the Debt Service Reserve Requirement, the Trustee shall immediately notify the Corporation of such event, and the Corporation shall immediately transfer to the Debt Service Reserve Account from any assets of the Corporation available for such purpose the amount necessary to increase the amount in the Debt Service Reserve Account to the Debt Service Reserve Requirement.

At the election of the Corporation, any amounts in excess of the Debt Service Reserve Requirement that remain in the Debt Service Reserve Account on or after the fifth day following a Debt Service Payment Date shall be transferred by the Trustee upon the direction of the Corporation to the related Series Account of the Revenue Fund.

Amounts on deposit in the Debt Service Reserve Account are to be invested in Investment Securities. As of September 30, 2011, the aggregate amount of investments on deposit in the Debt Service Reserve Account was $6,340,218 which amount was at least equal to the Debt Service Reserve Requirement on such date. The amount on deposit in the Debt Service Reserve Account will be at least equal to the Debt Service Reserve Requirement on the date of issuance of the 2011 Bonds and the Release Date with respect to the Program Bonds. See "Summary of Certain Provisions of the Indenture — Revenue Fund."

**Supplemental Mortgage Coverage**

The Supplemental Indentures for the Prior Series Bonds (the "Prior Series Bonds Supplemental Indentures") and the Supplemental Indentures for the 2011 Bonds require Supplemental Mortgage Coverage with respect to the Prior Series Mortgage Loans, Related Mortgage Loans and Transferred Mortgage Loans that are not covered by a mortgage pool insurance policy and that do not underlie Mortgage Certificates, which requirements are to be met by depositing to the credit of the Special Reserve Fund an amount at least equal to the sum of the respective Special Reserve requirements for such Series of Bonds (the "Special Reserve Requirement"). It is expected that no more than an insubstantial amount of the Related Mortgage Loans and Transferred Mortgage Loans, if any, will be covered by a mortgage pool insurance policy or will underlie Mortgage Certificates. The 2011 Series A/B Supplemental Indenture provides that the Special Reserve Requirements for each Series of the 2011 Bonds will be satisfied by the Corporation by depositing a combination of cash and/or Investment Securities and/or mortgage loans and/or mortgage certificates to the Special Reserve Fund. The Special Reserve Requirement is the aggregate of various percentages of the current principal balance of Prior Series Mortgage Loans that are not covered by pool insurance and that do not underlie Mortgage Certificates; such percentages are determined by the nature of the assets deposited in the Special Reserve Fund and are required to be sufficient not to cause any reduction of the ratings assigned by the Rating Agencies to the Prior Series Bonds without regard to any bond insurance or any other form of credit enhancement. The Special Reserve Requirement percentages are based upon criteria established by the Rating Agencies, including criteria related to mortgage loan credit risk, and are required by the Prior Series Bonds Supplemental Indentures to be adjusted by the Corporation as necessary to maintain the then-existing ratings (without regard to any bond insurance or other form of credit enhancement that may then exist) assigned to the Prior Series Bonds by the Rating Agencies.

Amounts on deposit in the Special Reserve Fund consisted of investments with an acquisition value of $899,738 as of September 30, 2011 and of Mortgage Loans with an aggregate principal balance of $9,563,461 as of September 30, 2011, which amounts were in the aggregate at least equal to the Special Reserve Requirement. The amount on deposit in the Special Reserve Fund will be at least equal to the Special Reserve Requirement on the date of issuance of the 2011 Bonds and the Release Date with respect to the Program Bonds. While amounts on deposit in the Special Reserve Fund are pledged under the Indenture, earnings and payments received with respect to such amounts do not constitute Pledged Revenues under the Indenture. The General Indenture permits, but does not require, Supplemental Mortgage Coverage in addition to any primary mortgage insurance covering Mortgage Loans for subsequent Series of Bonds.

If, on the third Business Day prior to any Debt Service Payment Date, the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Bond Interest Account, the Scheduled Principal Account and the Redemption Account is less than the amount required to pay interest on, principal of or sinking fund installments on the Bonds, any such deficiency is required to be made up with a transfer from the Debt Service Reserve Account or, if insufficient, by a deposit of any other funds of the Corporation, including amounts in the Special Reserve Fund. The Corporation may, at any time, withdraw from the Special Reserve Fund an amount equal to the amount of losses with respect to defaulted Mortgage Loans to the extent such losses are not covered by any mortgage insurance or guarantee and are not recovered upon foreclosure or sale in lieu of foreclosure. The Corporation shall transfer all such withdrawn amounts to the applicable Series Subaccount of the Redemption Account to be used to redeem Bonds of the applicable Series at the earliest practicable redemption date. The Corporation may also, at any time, withdraw free and clear of the lien of the Indenture from the Special Reserve Fund any amount therein in excess of the Special Reserve Requirement. See “Summary of Certain Provisions of the Indenture — Special Reserve Fund.”

**Bond Coverage Certificates**

The Corporation is required to deliver to the Trustee a certificate showing Bond Coverage (as defined under "Summary of Certain Provisions of the Indenture — Certain Definitions") upon the occurrence of various events under the Indenture, including, but not limited to, (i) the delivery of a Series of Bonds, (ii) any selection of Bonds for special redemption on a basis requiring delivery of a Bond Coverage Certificate, (iii) any release of moneys free and clear of the lien of the Indenture to the Corporation or (iv) on October 1, 1997 and on October 1st of every second year thereafter.

In addition, any such Bond Coverage Certificate delivered to the Trustee is required to conform to the requirements of the Indenture and any Supplemental Indenture, including any tax covenants contained therein. See "Summary of Certain Provisions of the Indenture — Tax Covenants."

The Indenture provides that the Corporation may in the future use a method of calculation of Bond Coverage other than the method specified in the Indenture if the new method will not adversely affect the ratings then assigned to the Bonds by the Rating Agencies without regard to any bond insurance or any other form of credit enhancement. No assurance can be given that the assumptions used in a Bond Coverage Certificate will in fact be realized.

**Additional Bonds**

Additional Bonds (including refunding Bonds) may be issued pursuant to the General Indenture upon compliance with the provisions thereof, which include the requirement that no Additional Bonds may be issued (i) without the delivery of a Bond Coverage Certificate to the Trustee and (ii) unless the ratings then assigned by the Rating Agencies to the then Outstanding Bonds (including the Subject Bonds) without regard to any bond insurance or any other form of credit enhancement will not be reduced as a result of the issuance of such Additional Bonds. The 2011 Bonds, the Program Bonds and all other Bonds issued under the Indenture will rank on a parity with each other; therefore, the availability of money for repayment of the 2011 Bonds and the Program Bonds could be significantly affected by the issuance of Additional Bonds. See "Sources of Payment and Security for the Bonds — Bond Coverage Certificates" and "Summary of Certain Provisions of the Indenture — Issuance of Additional Bonds."

The Corporation is also permitted to issue bonds which are separately secured and/or which are also general obligations of the Corporation.

## APPLICATION OF FUNDS

Proceeds of the 2011 Bonds, amounts withdrawn from the 2009 Series A Escrow Fund, amounts available as a result of the refunding of the Refunded MRB Bonds and the Refunded Obligations and certain amounts contributed by the Corporation are expected to be applied and deposited approximately as follows:

| | |
|---|---|
| Deposit to Program Obligation Fund to Purchase Mortgage Loans | $128,750,000 |
| Redemption of Refunded MRB Bonds | 28,945,000 |
| Redemption of Refunded Obligations | 71,360,000 |
| Deposit to Debt Service Reserve Account | 4,796,616 |
| Payment of Underwriting Fees | 737,516 |
| Payment of Costs of Issuance | 350,000 |
| TOTAL | $234,939,132 |

In addition, any amounts needed to satisfy the Special Reserve Requirement will be deposited by the Corporation from its own funds in the Special Reserve Fund. See "Sources of Payment and Security for the Bonds — Supplemental Mortgage Coverage.

## THE SUBJECT BONDS

### General

The 2011 Bonds will be dated as set forth on the cover page and interest thereon will be payable on the dates set forth on the cover page. The 2011 Bonds will mature on the dates and in the amounts, and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) from their date to maturity (or prior redemption) at the applicable rates, as set forth on the inside cover page.

The Program Bonds will mature on the date and in the amount set forth on the inside cover page. Interest on the Program Bonds will be payable on the dates set forth on the cover page.

The Program Bonds will bear interest from November 22, 2011 to but not including January 22, 2012 at the per annum rate (the "Short Term Rate") equal to the sum of 60 basis points (0.60%) plus the lesser of (A) the interest rate for Four Week Treasury Bills (secondary market) reported by the Federal Reserve on its website as of the second business day prior to the Release Date with respect to the Program Bonds, or (B) a fixed rate, not to exceed 1.72%, determined in accordance with the terms of the NIBP (the "NIBP Fixed Rate"). The Program Bonds will bear interest from January 22, 2012 to their maturity (or prior redemption) at the per annum rate (the "Permanent Rate") equal to the sum of 60 basis points (0.60%) plus the NIBP Fixed Rate.

From and after the Release Date with respect to the Program Bonds, interest on the Program Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

## Redemption

### *Special Redemption*

*Redemption from Amounts in the Series 2009A-2/2011A/2011B Subaccount of the Redemption Account.*

The Subject Bonds are subject to redemption at 100% of the principal amount thereof, plus accrued interest, on any date beginning June 1, 2012, from amounts deposited in the Series 2009A-2/2011A/2011B Subaccount of the Redemption Account. Certain amounts deposited in the Series 2009A-2/2011A/2011B Subaccount of the Redemption Account are required to be applied as described below under the subheadings "Special Mandatory Redemption of Program Bonds" and "Special Mandatory Redemption of Subject Bonds." Other amounts deposited in the Series 2009A-2/2011A/2011B Subaccount of the Redemption Account may, at the option of the Corporation, be applied at the direction of the Corporation to redeem any maturity of any Series or Subseries of the Subject Bonds, *except* that the Corporation may *only* apply such other amounts to redeem 2011 Series A Bonds if and to the extent that the cumulative amount of such 2011 Series A Bonds redeemed pursuant to "Special Mandatory Redemption of Subject Bonds" below is less than the then-applicable Cumulative PAC Redemption Amount.

Amounts deposited in the Series 2009A-2/2011A/2011B Subaccount of the Redemption Account are expected to consist primarily of (i) Pledged Revenues in excess of (a) scheduled debt service on the Subject Bonds, (b) any amount required to replenish the Debt Service Reserve Account to the Debt Service Reserve Requirement, and (c) any amount required to fund the payment of Program Expenses; and (ii) amounts transferred at the option of the Corporation from the Special Reserve Fund equal to the amount of losses with respect to defaulted Subject Mortgage Loans to the extent such losses are not covered by any mortgage insurance or guarantee and are not recovered upon foreclosure or sale in lieu of foreclosure.

The Corporation may transfer amounts from other Series Accounts of the Revenue Fund to the Series 2009A-2/2011A/2011B Subaccount of the Redemption Account. See "Summary of Certain Provisions of the Indenture — Revenue Fund." *However,* the Corporation may *only* apply such transferred amounts to redeem 2011 Series A Bonds if and to the extent that the cumulative amount of such 2011 Series A Bonds redeemed pursuant to "Special Mandatory Redemption of Subject Bonds" below is less than the then-applicable Cumulative PAC Redemption Amount. Proceeds of the sale of Program Obligations constitute Pledged Revenues and may under certain circumstances be deposited in the Redemption Fund and used to redeem Bonds. See "Summary of Certain Provisions of the Indenture — Sale of Program Obligations." *However*, the Corporation may *only* apply proceeds of the sale of Program Obligations to redeem 2011 Series A Bonds if and to the extent that the cumulative amount of such 2011 Series A Bonds redeemed pursuant to "Special Mandatory Redemption of Subject Bonds" below is less than the then-applicable Cumulative PAC Redemption Amount.

At the option of the Corporation, if and to the extent reflected in the most recent Bond Coverage Certificate filed with the Trustee, some of or all the amounts in the Series 2009A-2/2011A/2011B Account of the Revenue Fund may be transferred (i) to the Series 2009A-2/2011A/2011B Account of the Program Obligation Fund for the purchase of additional Program

Obligations, (ii) to other Series Subaccounts of the Redemption Account to redeem Bonds other than the Subject Bonds, or (iii) to the Corporation free and clear of the lien of the Indenture. See "Summary of Certain Provisions of the Indenture — Revenue Fund."

Applicable Federal tax law requires redemption of the Program Bonds on or before certain dates and in certain amounts in order to maintain the exclusion from gross income for Federal income tax purposes of interest on the tax-exempt Subject Bonds. See "Tax Matters — Program Bonds and 2011 Series B Bonds — Other Requirements Imposed by the Code — Required Redemptions." Current Federal tax law requires a payment to the United States from certain mortgagors whose mortgage loans are originated after December 31, 1990. See "Tax Matters — Program Bonds and 2011 Series B Bonds — Other Requirements Imposed by the Code — Recapture Provision." Since such recapture requirement remains in effect with respect to any mortgage loan subject thereto for a period ending nine years from the closing of such mortgage loan, the Corporation is unable to predict what effect, if any, such requirement will have on the origination or prepayment of Mortgage Loans to which such provision applies.

*Special Mandatory Redemption of Program Bonds*

The Program Bonds are subject to mandatory redemption, at 100% of the principal amount thereof, plus accrued interest, from amounts deposited in the Series 2009A-2/2011A/2011B Subaccount of the Redemption Account or any other source, on each June 1 and December 1, commencing June 1, 2012, in an amount equal to a pro rata portion (calculated based on the principal amount of Program Bonds then Outstanding and the principal amount of Related Bonds then Outstanding) of principal prepayments and recoveries of principal of Related Mortgage Loans received as of the 60th day prior to such date that are not needed to pay principal (including Sinking Fund Installments) coming due on Related Bonds on such date.

*Special Mandatory Redemption of Subject Bonds*

On each June 1 and December 1, commencing June 1, 2012, prepayments and principal repayments of Subject Mortgage Loans received as of the 60th day prior to such date that remain following application to the payment of principal (including Sinking Fund Installments) coming due on Subject Bonds on such date and to the redemption of Program Bonds on such date as described above under "Special Mandatory Redemption of Program Bonds" will be applied to redeem the 2011 Series A Bonds at 100% of the principal amount thereof, up to the applicable Cumulative PAC Redemption Amount set forth for such date in the following table, *except* as may be required by the Code:

| Date | Cumulative PAC Redemption Amount | Date | Cumulative PAC Redemption Amount |
|---|---|---|---|
| June 1, 2012 | $3,165,000 | June 1, 2015 | $19,920,000 |
| December 1, 2012 | 6,350,000 | December 1, 2015 | 22,310,000 |
| June 1, 2013 | 9,285,000 | June 1, 2016 | 24,610,000 |
| December 1, 2013 | 11,930,000 | December 1, 2016 | 26,660,000 |
| June 1, 2014 | 14,735,000 | June 1, 2017 | 28,565,000 |
| December 1, 2014 | 17,255,000 | December 1, 2017 and thereafter | 28,945,000 |

The Cumulative PAC Redemption Amounts are based on assumptions (the "PAC Assumptions") that include the following assumptions, among others: (i) Mortgage Loans are purchased with proceeds of or allocated to the Subject Bonds, as applicable, as described in clauses 2, 3 and 4 of the second paragraph under "Assumptions Regarding Revenues, Debt Service Requirements and Program Expenses" and (ii) the Subject Mortgage Loans will have the respective weighted average mortgage loan coupon rates and will prepay at the respective percentages of the Securities Industry and Financial Markets Association standard prepayment speed assumption model ("PSA") for 30-year mortgage loans (as further described below), as follows: (a) Mortgage Loans (including Available Mortgage Loans) to be purchased with proceeds of the Program Bonds will have a weighted average mortgage loan coupon rate of 2.93% and will prepay at 50% of PSA, (b) the Series A Reallocated Mortgage Loans will have a weighted average mortgage loan coupon rate of 6.02% and will prepay at 200% of PSA, and (c) the Transferred Mortgage Loans will have a weighted average mortgage loan coupon rate of 5.24% and will prepay at 100% of PSA.

The PAC Assumptions may differ from the assumptions made in establishing the dates and amounts of the Sinking Fund Installments and maturities of the Subject Bonds. See "Assumptions Regarding Revenues, Debt Service Requirements, and Program Expenses." The Corporation makes no representation that actual experience will conform to the PAC Assumptions. If actual experience differs from the PAC Assumptions, the principal amount of 2011 Series A Bonds actually redeemed on any June 1 or December 1 pursuant to the provision described under this subheading may differ from that derived from the Cumulative PAC Redemption Amounts.

Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The PSA model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of new mortgage loans. PSA does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the Subject Mortgage Loans. One hundred percent PSA assumes prepayment rates of 0.2 percent per year of the then-unpaid principal balance of such mortgage loans in the first month of the life of the mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans, 100 percent PSA assumes a constant prepayment rate of six percent per year. Multiples will be calculated from this prepayment rate series; *e.g.,* 200 percent PSA assumes prepayment rates will be 0.4 percent per year in month one, 0.8 percent per year in month two, reaching 12 percent per year in month 30 and remaining constant at 12 percent per year thereafter.

The weighted average life of a bond refers to the average of the length of time that will elapse from the date of issuance of such bond to the date each installment of principal is paid, weighted by the amount of such installment. The weighted average life of the 2011 Series A Bonds will be influenced by, among other factors, the rate at which principal prepayments on Subject Mortgage Loans are received.

Set forth in the following table are the projected weighted average lives (in years) of the 2011 Series A Bonds, based upon various rates of prepayment of the Subject Mortgage Loans expressed as percentages of the PSA standard prepayment model. The Corporation has made no projections as to the weighted average lives of the 2011 Series A Bonds at rates of prepayment of the Subject Mortgage Loans exceeding 600% of PSA. The table assumes, *inter alia,* that (i) Mortgage Loans are purchased with proceeds of or allocated to, as applicable, the Subject Bonds as described in clauses 2, 3 and 4 of the second paragraph under "Assumptions Regarding Revenues, Debt Service Requirements and Program Expenses," (ii) all such Mortgage Loans are prepaid at the percentage of PSA indicated in such table, (iii) all principal prepayments and scheduled principal repayments of such Mortgage Loans are timely received and the Corporation experiences no foreclosure losses on such Mortgage Loans, (iv) there will be no optional redemption of such Bonds, (v) amounts available under the Indenture to be applied to the special redemption of Bonds will only be used to redeem Bonds of the related Series, and (vi) the remaining Bonds of a Series will not be redeemed as a consequence of the aggregate principal amount of such Bonds then Outstanding becoming equal to or less than 15% of the original aggregate principal amount of such Bonds. Some or all of such assumptions are unlikely to reflect actual experience.

| Prepayment Speed (expressed as a percentage of PSA) | Projected Weighted Average Life (in years) |
|---|---|
| 0 | 5.72 |
| 25 | 4.14 |
| 50 | 3.45 |
| 75 | 3.05 |
| 100 | 2.92 |
| 150 | 2.85 |
| 200 | 2.83 |
| 300 | 2.83 |
| 400 | 2.83 |
| 500 | 2.83 |
| 600 | 2.83 |

The PSA model does not purport to be a prediction of the anticipated rate of prepayment of the Subject Mortgage Loans, and there is no assurance that such principal prepayments will conform to any of the assumed prepayment rates. The Corporation makes no representation as to the percentage of the principal balance of the Subject Mortgage Loans that will be paid as of any date or as to the overall rate of prepayment.

***Redemption When 2011 Series B Bonds Outstanding are 15% or Less of Initial Principal Amount***

The 2011 Series B Bonds are subject to redemption at 100% of the principal amount thereof, plus accrued interest, in whole on any date at the option of the Corporation and upon filing a Bond Coverage Certificate, from any source of funds, if the aggregate principal amount of then Outstanding 2011 Series B Bonds (taking into account any 2011 Series B Bonds otherwise to be redeemed on such date) is less than or equal to 15% of the aggregate initial principal amount of the 2011 Series B Bonds ($10,704,000).

***Sinking Fund Redemption***

The Subject Bonds that are Term Bonds are subject to mandatory redemption in part from sinking fund installments, at 100% of the principal amount thereof, plus accrued interest, on the respective dates and in the respective principal amounts set forth below:

**Sinking Fund Installments**

| Date | 2011 Series A Term Bonds Maturing December 1, 2026 | 2011 Series B-2 Term Bonds Maturing June 1, 2026 | 2009 Series A-2 Term Bonds Maturing December 1, 2041 |
|---|---|---|---|
| June 1, 2015 | $ 200,000 | | |
| December 1, 2015 | 225,000 | | |
| June 1, 2016 | 290,000 | | |
| December 1, 2016 | 390,000 | | |
| June 1, 2017 | 490,000 | | |
| December 1, 2017 | 590,000 | | |
| June 1, 2018 | 690,000 | | |
| December 1, 2018 | 790,000 | | |
| June 1, 2019 | 890,000 | | |
| December 1, 2019 | 990,000 | | |
| June 1, 2020 | 1,090,000 | | |
| December 1, 2020 | 1,190,000 | | |
| June 1, 2021 | 1,290,000 | | |
| December 1, 2021 | 1,390,000 | | |
| June 1, 2022 | 1,490,000 | | |
| December 1, 2022 | 1,600,000 | | |
| June 1, 2023 | 1,700,000 | $ 915,000 | |
| December 1, 2023 | 1,800,000 | 2,310,000 | |
| June 1, 2024 | 1,900,000 | 2,285,000 | |
| December 1, 2024 | 2,000,000 | 2,265,000 | |
| June 1, 2025 | 2,100,000 | 2,250,000 | |

**Sinking Fund Installments**
**(continued)**

| Date | 2011 Series A Term Bonds Maturing December 1, 2026 | 2011 Series B-2 Term Bonds Maturing June 1, 2026 | 2009 Series A-2 Term Bonds Maturing December 1, 2041 |
|---|---|---|---|
| December 1, 2025 | $2,200,000 | $2,230,000 | |
| June 1, 2026 | 2,300,000 | 2,215,000† | |
| December 1, 2026 | 1,350,000† | | $3,160,000 |
| June 1, 2027 | | | 4,630,000 |
| December 1, 2027 | | | 4,690,000 |
| June 1, 2028 | | | 4,750,000 |
| December 1, 2028 | | | 4,820,000 |
| June 1, 2029 | | | 4,760,000 |
| December 1, 2029 | | | 4,820,000 |
| June 1, 2030 | | | 4,890,000 |
| December 1, 2030 | | | 4,950,000 |
| June 1, 2031 | | | 5,020,000 |
| December 1, 2031 | | | 5,080,000 |
| June 1, 2032 | | | 5,150,000 |
| December 1, 2032 | | | 5,220,000 |
| June 1, 2033 | | | 5,130,000 |
| December 1, 2033 | | | 4,370,000 |
| June 1, 2034 | | | 4,430,000 |
| December 1, 2034 | | | 4,490,000 |
| June 1, 2035 | | | 4,550,000 |
| December 1, 2035 | | | 4,610,000 |
| June 1, 2036 | | | 4,670,000 |
| December 1, 2036 | | | 4,050,000 |
| June 1, 2037 | | | 3,700,000 |
| December 1, 2037 | | | 3,750,000 |
| June 1, 2038 | | | 3,600,000 |
| December 1, 2038 | | | 2,670,000 |
| June 1, 2039 | | | 2,710,000 |
| December 1, 2039 | | | 2,740,000 |
| June 1, 2040 | | | 2,780,000 |
| December 1, 2040 | | | 2,820,000 |
| June 1, 2041 | | | 2,850,000 |
| December 1, 2041 | | | 2,890,000† |

† Stated Maturity

Any redemption (other than a mandatory redemption from sinking fund installments) of Subject Bonds that are Term Bonds of a particular maturity will be credited against future sinking fund installment amounts for such maturity (i) on a reasonably proportionate basis or (ii) on such other basis as shall be directed by the Corporation upon filing of a Bond Coverage Certificate demonstrating Bond Coverage after giving effect to any such crediting.

### *Optional Redemption*

The 2011 Bonds maturing on or after December 1, 2021 are subject to redemption, on any date on or after June 1, 2021 in whole or in part, of any maturity as directed by the Corporation, at the option of the Corporation, from any source of funds, at 100% of the principal amount thereof, plus accrued interest.

The Program Bonds are subject to redemption, on the first Business Day of any month, in whole or in part, at the option of the Corporation, from any source of funds, at 100% of the principal amount thereof, plus accrued interest.

### *Selection of Bonds for Redemption; Purchase in Lieu of Redemption*

The General Indenture provides that unless otherwise provided in an Authorizing Indenture, the Bonds of a Series shall be redeemed (i) on a pro rata basis (which is defined in the Indenture as a reasonably proportionate basis from among all then existing maturities of the Bonds of such Series, such basis to be determined as nearly as practicable by multiplying the total amount available by the ratio which the principal amount of the Bonds Outstanding in each maturity of such Series bears to the principal amount of all the Bonds of such Series then Outstanding) from all maturities of the Outstanding Bonds of such Series or (ii) on such other basis as shall be directed by the Corporation upon filing of a Bond Coverage Certificate demonstrating Bond Coverage after giving effect to such redemption. The General Indenture provides that if less than all the Bonds of a particular maturity of a Series are to be redeemed, the particular Bonds of such maturity of such Series to be redeemed will be selected by the Trustee by lot, using such method of selection as it deems proper in its discretion.

In lieu of redeeming Bonds, the Corporation may from time to time, prior to notice of redemption, purchase Bonds from moneys held for redemption of Bonds, provided that such purchase may not be at a price in excess of the principal amount thereof, plus accrued interest, except as otherwise provided in the Indenture. Following purchase, such Bonds will be canceled.

### *Notice of Redemption*

Notice of the redemption, identifying the Subject Bonds or portion thereof to be redeemed, will be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid) not more than 60 days and not less than 30 days prior to the redemption date to the registered owner of each Subject Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Trustee. Any notice mailed as provided in the Indenture is conclusively presumed to have been duly given, whether or not the owner of such Subject Bonds receives the notice.

## Book Entry Only

### *General*

The Subject Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Subject Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Subject Bonds are immobilized in the custody of DTC, references to holders or owners of Subject Bonds (*except* under "Tax Matters") mean DTC or its nominee.

The information in this section concerning DTC and the DTC book-entry system has been obtained from DTC, and the Corporation takes no responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Subject Bonds. The Subject 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 Subject Bond certificate will be issued for each maturity of each Series (or Subseries, as applicable) thereof 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 of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned 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"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Subject Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Subject Bonds on DTC's records. The ownership interest of each actual purchaser of each Subject 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 Subject 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 the Subject Bonds, except in the event that use of the book-entry system for the Subject Bonds is discontinued.

To facilitate subsequent transfers, all Subject 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 Subject Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Subject Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Subject 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 Subject Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Subject Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Subject Bonds may wish to ascertain that the nominee holding the Subject 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 notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a maturity of a Series (or Subseries, as applicable) of the Subject Bonds is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Subject 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 Corporation 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 Subject Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Subject 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 Corporation or the Trustee, on a 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 Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Corporation, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SUBJECT BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SUBJECT BONDS, ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SUBJECT BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

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

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Subject Bond certificates will be required to be printed and delivered as described in the Indenture.

If bond certificates are issued, the principal and interest due upon maturity or redemption of any of the Subject Bonds will be payable at the office of the Trustee, as paying agent, upon presentation and surrender of such Subject Bonds by the registered owner thereof on or after the date of maturity or redemption, as the case may be. Payment of the interest on each Subject Bond (prior to the maturity or earlier redemption thereof) will be made by the Trustee to the registered owner of such Subject Bond by check mailed by first class mail on the interest payment date to such registered owner as of the 20th day of the second preceding month at the address appearing on the registration books relating to the Subject Bonds.

If bond certificates are issued, the Subject Bonds may be transferred and exchanged by the registered owner thereof or the registered owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or the registered owner's duly authorized attorney at the office of the Trustee in Seattle, Washington. For every such exchange or transfer the Corporation or the Trustee may charge the transferee to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee is not obligated to make any such transfer or exchange during the 10 days next preceding the selection of any Subject Bond for redemption, nor of any Subject Bond so selected for redemption. If any Subject Bond is mutilated, lost, stolen or destroyed, the Trustee may execute and deliver a new Subject Bond or Subject Bonds of the same series, maturity, interest rate and principal amount as the Subject Bond or Subject Bonds so mutilated, lost, stolen or destroyed, provided that such Subject Bond is surrendered to the Trustee, or evidence of loss, destruction or theft, together with satisfactory indemnity, is provided to the Trustee. The fees and expenses of the Corporation and the Trustee in connection with such replacement shall be paid by the owner.

## ASSUMPTIONS REGARDING REVENUES, DEBT SERVICE REQUIREMENTS AND PROGRAM EXPENSES

The Corporation expects that the scheduled payments, together with prepayments received, if any, of principal of and interest on all Program Obligations and amounts held under the Indenture (except the Rebate Fund) and the earnings thereon will be sufficient to pay, when due, the debt service on the Bonds and the Program Expenses in connection with the Program.

In establishing the dates and amounts of the Sinking Fund Installments and maturities of the Subject Bonds, the following assumptions, among others, were made by the Corporation:

1. no Additional Bonds will be issued;

2. a portion of amounts withdrawn from the 2009 Series A Escrow Fund on the Release Date of the Program Bonds will be used on the Closing Date to purchase approximately $38.75 million principal amount of Mortgage Loans (including Available Mortgage Loans with an approximate principal balance of $35 million as of September 30, 2011); the balance of such amounts will be used to purchase approximately $90 million principal amount of Mortgage Loans by September 1, 2012, with terms of 30 years from origination and a weighted average rate of interest of approximately 2.93% per annum;

3. Transferred Mortgage Loans that as of September 30, 2011 bore interest at the rates and had outstanding principal balances and weighted average remaining terms as described under "Program Obligations — Mortgage Loans — Transferred Mortgage Loans" will be transferred to the Indenture on the Closing Date;

4. Series A Reallocated Mortgage Loans that as of September 30, 2011 bore interest at a weighted average rate of approximately 6.02% and had an aggregate outstanding principal balance of $41,161,266 and a weighted average remaining term of 256 months will prepay at approximately 300% PSA until they are allocated to the Subject Bonds on December 1, 2011, with an aggregate outstanding principal balance as of such date of $39,720,777;

5. upon the issuance of the 2011 Bonds and the Release of the Program Bonds, the Corporation will with respect to such Bonds make deposits from its unrestricted general funds to the Debt Service Reserve Account and pay costs of issuance as reflected under "Application of Funds";

6. scheduled principal of and interest on Mortgage Loans will be paid on the first day of the month following the scheduled payment date therefor, and Mortgage Loans will not be prepaid or otherwise terminated prior to maturity;

7. losses on defaulted Mortgage Loans will not exceed any applicable insurance coverage or guarantees and recoveries upon disposition, including foreclosures or sales in lieu of foreclosures;

8. amounts in all Funds and Accounts under the Indenture (other than amounts on deposit in the 2009 Series A Escrow Fund, which will be invested at a rate equal to the rate payable on unreleased 2009 Series A Bonds) will be invested at an annual rate of 0%, *except* that amounts in the Special Reserve Fund were not considered in establishing the dates and amounts of the maturities of the Subject Bonds; and

9. the Servicers will be paid a monthly servicing fee of one-twelfth of ⅜% of the then outstanding aggregate principal balance of the Mortgage Loans; and other semiannual Program Expenses of the Corporation and the Trustee under the Program will be equal to .055% of the principal amount of then outstanding Program Obligations in the Program Obligation Fund.

The Corporation believes it is reasonable to make such assumptions, but no representation is made that the assumptions reflect any particular set of historical circumstances, no assurance can be given that actual receipt of amounts under the Indenture will be sufficient to pay debt service on the Bonds (including the Subject Bonds) when due and Program Expenses of the Corporation and the Trustee under the Program, and to the extent that actual experience differs from any of the assumptions, availability of such amounts may be significantly affected. The Corporation has a history of actively recycling Mortgage Loan prepayments and excess revenues into new qualifying mortgage loans when economically appropriate and also when economically appropriate of using such amounts to redeem bonds and refund such redeemed bonds and thereafter make new qualifying mortgage loans, and presently intends to continue to do both. The rate of principal payments is likely to vary considerably over time. Generally, a borrower may prepay an Mortgage Loan at any time without penalty. Because so many factors affect the rate of prepayment of a pool of mortgage loans, the Corporation cannot estimate or predict the rate of principal payments on the Mortgage Loans.

## PROGRAM OBLIGATIONS

### Mortgage Loans

#### *Prior Series Mortgage Loans*

As of September 30, 2011, there were Prior Series Mortgage Loans with an outstanding aggregate principal balance of $159,967,050, bearing interest at a weighted average yield to the Indenture of approximately 4.87% per annum, with a weighted average mortgage loan coupon rate of approximately 4.80% per annum and a weighted average remaining term of 315 months. The Prior Series Mortgage Loans include the Series A Reallocated Mortgage Loans.

The following table sets forth certain information as of September 30, 2011 regarding the type of primary mortgage insurance coverage originally applicable to the Prior Series Mortgage Loans. No representation is made as to the current status of primary mortgage insurance coverage or the current loan-to-value ratios of the Prior Series Mortgage Loans. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

| Type | Outstanding Principal Balance | Percentage of Total Prior Series Mortgage Loans by Outstanding Principal Balance |
|---|---|---|
| FHA Insured | $55,899,699 | 34.95% |
| Uninsured† | 41,262,218 | 25.79 |
| RD Guaranteed | 24,793,200 | 15.50 |
| VA Guaranteed | 17,534,051 | 10.96 |
| HUD 184 Guaranteed | 11,804,475 | 7.38 |
| Private Mortgage Insurance | 8,673,407 | 5.42 |
| TOTAL | $159,967,050 | 100.00% |

† Uninsured Mortgage Loans represent loans in which the original loan-to-value ratio was not in excess of 80% and insurance coverage was therefore not required.

The following table sets forth certain information as of September 30, 2011 regarding the type of dwellings securing Prior Series Mortgage Loans.

| Type | Outstanding Principal Balance | Percentage of Total Prior Series Mortgage Loans by Outstanding Principal Balance |
|---|---|---|
| 1-Unit Detached Dwellings | $123,146,232 | 76.98% |
| Condominiums | 29,800,299 | 18.63 |
| 2-4 Unit Dwellings | 7,020,519 | 4.39 |
| TOTAL | $159,967,050 | 100.00% |

The following table sets forth certain information as of September 30, 2011 regarding the location of the mortgaged property securing Prior Series Mortgage Loans.

| Property Location | Outstanding Principal Balance | Percentage of Total Prior Series Mortgage Loans by Outstanding Principal Balance |
|---|---|---|
| Anchorage | $66,611,982 | 41.64% |
| Wasilla | 18,327,076 | 11.46 |
| Other | 17,590,605 | 11.00 |
| Fairbanks | 14,655,556 | 9.16 |
| Palmer | 9,269,716 | 5.79 |
| Juneau | 7,245,062 | 4.53 |
| Kodiak | 5,440,014 | 3.40 |
| Soldotna | 5,059,836 | 3.16 |
| North Pole | 5,011,773 | 3.13 |
| Eagle River | 4,099,320 | 2.56 |
| Ketchikan | 3,751,402 | 2.35 |
| Kenai | 2,336,043 | 1.46 |
| Chugiak | 568,665 | 0.36 |
| TOTAL | $159,967,050 | 100.00% |

***Available Mortgage Loans***

The Corporation generally intends to purchase approximately $35 million principal amount of the Available Mortgage Loans with proceeds attributable to the Program Bonds. However, no assurance is given as to what portion, if any, of the Available Mortgage Loans will be allocated to the Program Bonds.

As of September 30, 2011, there were Available Mortgage Loans with an outstanding aggregate principal balance of $53,491,838, bearing interest at a weighted average yield to the Indenture of approximately 4.12% per annum, with a weighted average mortgage loan coupon rate of approximately 4.12% per annum and a weighted average remaining term of 356 months.

The following table sets forth certain information as of September 30, 2011 regarding the type of primary mortgage insurance coverage originally applicable to the Available Mortgage Loans. No representation is made as to the current status of primary mortgage insurance coverage or the current loan-to-value ratios of the Available Mortgage Loans. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

| Type | Outstanding Principal Balance | Percentage of Total Available Mortgage Loans by Outstanding Principal Balance |
|---|---|---|
| FHA Insurance | $19,967,719 | 37.34% |
| RD Guaranteed | 13,780,838 | 25.76 |
| Uninsured† | 7,152,482 | 13.37 |
| Private Mortgage Insurance | 5,469,409 | 10.22 |
| HUD 184 Guaranteed | 5,362,192 | 10.02 |
| VA Guaranteed | 1,759,198 | 3.29 |
| TOTAL | $53,491,838 | 100.00% |

† Uninsured Mortgage Loans represent loans in which the original loan-to-value ratio was not in excess of 80% and insurance coverage was therefore not required.

The following table sets forth certain information as of September 30, 2011 regarding the type of dwellings securing Available Mortgage Loans.

| Property Type | Outstanding Principal Balance | Percentage of Total Available Mortgage Loans by Outstanding Principal Balance |
|---|---|---|
| 1-Unit Detached Dwellings | $41,954,456 | 78.43% |
| Condominiums | 10,306,109 | 19.27 |
| 2-4 Unit Dwellings | 1,231,273 | 2.30 |
| TOTAL | $53,491,838 | 100.00% |

The following table sets forth certain information as of September 30, 2011 regarding the location of the mortgaged property securing Available Mortgage Loans.

| Property Location | Outstanding Principal Balance | Percentage of Total Available Mortgage Loans by Outstanding Principal Balance |
|---|---|---|
| Anchorage | $24,051,791 | 44.96% |
| Wasilla | 7,965,048 | 14.89 |
| Fairbanks | 4,067,468 | 7.60 |
| Juneau | 3,722,441 | 6.96 |
| Other | 2,773,490 | 5.18 |
| Soldotna | 2,418,461 | 4.52 |
| Palmer | 2,116,766 | 3.96 |
| Kodiak | 2,115,676 | 3.96 |
| North Pole | 1,353,468 | 2.53 |
| Eagle River | 1,304,213 | 2.44 |
| Kenai | 970,965 | 1.82 |
| Chugiak | 428,051 | 0.80 |
| Ketchikan | 204,000 | 0.38 |
| TOTAL | $53,491,838 | 100.00% |

***Transferred Mortgage Loans***

As of September 30, 2011, there were Transferred Mortgage Loans with an outstanding aggregate principal balance of $71,380,130, bearing interest at a weighted average yield of approximately 5.18% per annum, with a weighted average mortgage loan coupon rate of approximately 5.24% per annum and a weighted average remaining term of 309 months. The Corporation expects to transfer substantially all of the Transferred Mortgage Loans to the Indenture. However, the aggregate principal balance of such loans transferred to the Indenture will be reduced by principal prepayments and scheduled principal repayments received prior to such transfer.

The following table sets forth certain information as of September 30, 2011 regarding the type of primary mortgage insurance coverage originally applicable to the Transferred Mortgage Loans. No representation is made as to the current status of primary mortgage insurance coverage or the current loan-to-value ratios of the Transferred Mortgage Loans. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

| Type | Outstanding Principal Balance | Percentage of Total Transferred Mortgage Loans by Outstanding Principal Balance |
|---|---|---|
| Uninsured[†] | $37,942,043 | 53.15% |
| FHA Insured | 13,135,506 | 18.40 |
| Private Mortgage Insurance | 5,635,499 | 7.90 |
| HUD 184 Guaranteed | 4,930,781 | 6.91 |
| VA Guaranteed | 4,881,122 | 6.84 |
| RD Guaranteed | 4,855,179 | 6.80 |
| TOTAL | $71,380,130 | 100.00% |

[†] Uninsured Mortgage Loans represent loans in which the original loan-to-value ratio was not in excess of 80% and insurance coverage was therefore not required.

The following table sets forth certain information as of September 30, 2011 regarding the type of dwellings securing Transferred Mortgage Loans.

| Type | Outstanding Principal Balance | Percentage of Total Transferred Mortgage Loans by Outstanding Principal Balance |
|---|---|---|
| 1-Unit Detached Dwellings | $63,678,772 | 89.21% |
| Condominiums | 4,525,580 | 6.34 |
| 2-4 Unit Dwellings | 3,175,778 | 4.45 |
| TOTAL | $71,380,130 | 100.00% |

The following table sets forth certain information as of September 30, 2011 regarding the location of the mortgaged property securing Transferred Mortgage Loans.

| Property Location | Outstanding Principal Balance | Percentage of Total Transferred Mortgage Loans by Outstanding Principal Balance |
|---|---|---|
| Other | $23,289,924 | 32.64% |
| Anchorage | 11,043,617 | 15.47 |
| Kodiak | 8,031,794 | 11.25 |
| Soldotna | 7,381,891 | 10.34 |
| Wasilla | 5,367,008 | 7.52 |
| Fairbanks | 4,339,954 | 6.08 |
| Ketchikan | 3,230,760 | 4.53 |
| Juneau | 2,544,072 | 3.56 |
| Palmer | 1,816,032 | 2.54 |
| Kenai | 1,559,166 | 2.18 |
| North Pole | 1,537,239 | 2.15 |
| Eagle River | 1,141,708 | 1.60 |
| Chugiak | 96,965 | 0.14 |
| TOTAL | $71,380,130 | 100.00% |

**Mortgage Loan Underwriting**

***Eligibility***

Each Mortgage Loan must be secured by a single-family residence, duplex, triplex, or fourplex. Eligibility is without regard to location of the dwelling within the State. The dwelling to be purchased with proceeds of a Mortgage Loan must be designed for residential use and intended for use and used as the principal residence of the borrower. A new first-lien Mortgage Loan may not be financed with respect to a dwelling securing an outstanding first-lien Mortgage Loan unless the new Mortgage Loan will retire the outstanding Mortgage Loan.

***General Terms***

Each Mortgage Loan must:

(1) be serviced by a servicer approved by the Corporation (see "Program Obligations — Mortgage Servicing" below);

(2) be secured by a first or second lien on real estate in fee simple or on a leasehold estate and (A) if a first lien, be subject only to permitted encumbrances, or (B) if a second lien, be subject only to permitted encumbrances including a first-lien mortgage;

(3) if the Mortgage Loan is secured by a first lien and if the loan-to-value ratio of the property exceeds 80%, be the subject of private mortgage insurance, federal insurance, federal

guarantee, or insurance from the Corporation's housing insurance fund, with benefits in each case payable to the Corporation;

(4) if the Mortgage Loan is secured by a second lien and if the loan-to-value ratio of the property determined by combining the first-lien Mortgage Loan and the second-lien Mortgage Loan exceeds 80%, be the subject of private mortgage insurance, federal insurance, federal guarantee, or insurance from the Corporation's housing insurance fund, with benefits in each case payable to the Corporation;

(5) be for the purchase or refinancing of completed, owner-occupied residential housing, the improvement or rehabilitation of owner-occupied residential housing, or the purchase or refinancing of owner-occupied residential housing together with improvement or rehabilitation of the housing, which in any case is eligible for purchase by the Corporation under the terms otherwise described in this section; and

(6) be insured by a mortgagee's policy of title insurance issued by a title insurance company qualified to do business in the area in which the residence is located and acceptable to the Corporation, insuring the enforceable mortgage, subject only to permitted encumbrances or in the case of a second-lien mortgage, subject only to permitted encumbrances and the first-lien mortgage.

The Corporation computes the maximum amount of a second-lien Mortgage Loan so that the outstanding amount of the first-lien Mortgage Loan plus the maximum amount of the second-lien Mortgage Loan does not exceed the applicable loan-to-value ratio. All loan-to-value ratios and maximum loan amounts will be reduced if and to the extent any applicable GNMA, FNMA, FHLMC, VA, FHA, or RD loan-to-value ratio or maximum loan limits are reduced for Alaska.

***Loan-to-Value Ratios and Loan Amounts***

The Corporation requires that the loan-to-value ratio and the loan amounts for each Mortgage Loan be as follows:

(1) Other than as provided in paragraphs (3), (4), (5), and (6) below, the loan-to-value ratio of a Mortgage Loan for the purchase of a single family residence may not exceed 95%, the loan-to-value ratio of a Mortgage Loan for the purchase of a duplex residence may not exceed 90%, and the loan-to-value ratio of a Mortgage Loan for the purchase of a triplex or fourplex residence may not exceed 80%;

(2) The loan amount on a Mortgage Loan for a residence may not exceed the applicable FNMA or FHLMC maximum loan amount for the same type of property by more than 10%;

(3) The amount of the guarantee plus the down payment on a mortgage loan guaranteed by the VA must equal 25% of the value of the residence based on the lesser of sales price or appraisal, and the VA guarantee must equal the maximum guarantee possible under the VA program;

(4) The maximum loan amounts, minimum down payments, and loan-to-value ratios of Mortgage Loans insured by FHA will be as required by FHA;

(5) The maximum loan amounts, minimum down payments, and loan-to-value ratios of Mortgage Loans guaranteed by RD will be as required by RD;

(6) The loan-to-value ratio of a Mortgage Loan made to an education professional or a health care professional for owner-occupied, single family housing, may not exceed 100%; and

(7) The loan-to-value ratio of a refinancing loan may not exceed the limits established by FNMA, FHLMC, FHA, VA, or RD for similar refinance loans.

***Income Limits***

The Corporation requires that, for each Mortgage Loan, the mortgagor's family income must be in accordance with Section 143(f) of the Code.

***Purchase Price Requirements***

The acquisition cost of each residence may not exceed the specified percentage of the average area purchase price of the statistical area in which the residence being finance is located, as determined by the Corporation in accord with Section 143 of the Code.

***Loan Terms***

Mortgage Loans may have either a 15-year term or a 30-year term. Approximately 95% of Mortgage Loans are originated with a 30-year term.

***Lender Qualification***

The Corporation acquires the Mortgage Loans from its approved lenders (the "Lenders"). There are currently 15 Lenders approved by the Corporation. All of the Lenders must have an office in Alaska. The Corporation requires each Lender to provide audited financial statements and proof of insurance to the Corporation on an annual basis. Lenders must maintain policies of worker's compensation insurance (minimum coverage of $100,000 per person per occurrence) and general liability insurance (minimum coverage of $1,000,000 per occurrence), and a fidelity bond and errors and omissions insurance (coverage based on origination volume; minimum of $300,000). The Corporation also performs annual audits of 10% of the loans purchased from each Lender during each year to assure compliance with program requirements.

***Underwriting Process***

Mortgage Loans undergo one of three underwriting processes: Full Underwriting process, Program Compliance process, or Delegated process. Approximately 1%, 54%, and 45% of the Mortgage Loans undergo the Full Underwriting process, the Program Compliance process, and the Delegated process, respectively.

Under the Full Underwriting process, the Corporation performs a full underwriting of the Mortgage Loan. The Corporation uses this process only for loans originated by regional housing authorities in the State and for the smallest lenders.

Under the Program Compliance process, the Lender determines the applicant's creditworthiness and adequacy of the subject property for collateral. The Corporation reviews each loan undergoing the Program Compliance process, but only to determine eligibility based on any applicable income limitations, acquisition cost limitations, or other relevant tax-compliance criteria. Newly-approved Lenders generally originate Mortgage Loans under the Program Compliance process. The Corporation audits all Mortgage Loans originated by each newly-approved Lender for a period of generally six to 12 months (depending on origination volume) under the Program Compliance process as a prerequisite to advancing to Delegated underwriting.

The Corporation permits its most experienced Lenders to underwrite Mortgage Loans using the Delegated process. Under the Delegated process, the Lender underwrites the complete loan, which includes eligibility based on income, creditworthiness, adequacy of the subject property as collateral, and program compliance.

**Mortgage Servicing**

Prior to purchasing any Mortgage Loan, the Corporation requires the originating institution (which generally thereafter acts as the servicer (the "Servicer") to furnish to the Corporation the original mortgage note and copies of (i) the deed of trust, and (ii) a title insurance policy in an amount equal to the unpaid principal due on the Mortgage Loan. The Corporation also requires generally that all taxes, assessments and water and sewage charges have been duly paid and that a hazard insurance policy exist in an amount equal to the unpaid principal due on the mortgage. The Servicer services the mortgage loan for a fee, which is a monthly charge at an annual rate of generally ⅜ of 1% on the unpaid principal due on such mortgage loan. The Corporation has adopted standards for qualifying eligible servicing institutions and underwriting and servicing guidelines with respect to the recording of and collection of principal and interest on the Mortgage Loans and the rendering to the Corporation of an accounting of funds collected. The servicing of a Mortgage Loan includes the responsibility for foreclosure, but not the bearing of any expenses thereof. The Servicer is expected to encourage the curing of any default in scheduled mortgage payments and evaluate loans insured by FHA or guaranteed by VA or USDA for possible forbearance or modification in accordance with the respective insurance or guarantee program's loss mitigation guidelines. See "Program Obligations — Primary Mortgage Insurance." The Servicer is required to pay, from scheduled mortgage payments, taxes, assessments, levies and charges, and premiums for hazard insurance and mortgage insurance, as they may become due.

Regularly scheduled principal and interest payments on the Mortgage Loans are required to be deposited by the Servicer with a depository bank to be held in escrow for the Trustee. Such funds (net of applicable servicing fees) are remitted to the depository by the Servicer on the day following receipt when total collections of such Servicer equal or exceed $2,500. Such funds are held in a custodial account and invested for the benefit of the Trustee pending their transfer once a month to the Trustee. Additional monthly payments on the Mortgage Loans, representing payments for such items as property taxes and mortgage insurance, are retained by the Servicer and applied as necessary.

The Corporation maintains detailed Mortgage Loan collection information on its internal data processing system. The Corporation's system generates the collection reports and consolidates actual collections by individual bond series.

The Corporation reviews individual Servicer reports to ascertain the extent of mortgagor payment delinquencies and Servicer processing delays in order to determine the appropriate corrective action, if any, to be taken by the Corporation or the Servicer. Under the Corporation's monitoring system, a Servicer is subject to enhanced review when its monthly reports for two consecutive months show delinquency rates more than 1.50 times the average delinquency rates experienced by the Servicer group as a whole.

**Pledge of Mortgage Loans**

The assignment to the Corporation of each deed of trust relating to a Mortgage Loan deposited in the Program Obligation Fund is required to recite the interest of the Trustee on behalf of the owners of the Bonds in the mortgaged property. Each assignment is required to be recorded with the appropriate real property recording office for the jurisdiction in which the mortgaged property is located. The Indenture pledges, to the Trustee and the owners of the Bonds, the Mortgage Loans, the related deeds of trust, the Pledged Revenues and any and all assets held in any Fund or Account (except the Rebate Fund) under the Indenture. Section 18.56.120 of the Act provides that such a pledge is valid and binding from the time the pledge is made and, further, that any assets or revenues so pledged are immediately subject to the lien of the pledge without physical delivery or any further act and without regard to whether any third party has notice of the lien of the pledge. Physical custody of each mortgage note is retained by the Corporation and the related deed of trust is retained by the originating lending institution. Notwithstanding the fact that the Trustee does not have physical possession of those instruments, and while Bond Counsel is unaware of any controlling judicial precedent, it is the opinion of Bond Counsel that the effect of (i) recording the assignment in the form described, (ii) execution and delivery of the Indenture and (iii) the statutory provisions referred to above afford the Trustee (on behalf of owners of the Bonds) a fully perfected security interest in the Mortgage Loans which have been so assigned.

**Primary Mortgage Insurance**

The following description of certain primary mortgage insurance and guarantees (relating to individual Mortgage Loans) is only a brief outline and does not purport to summarize or describe all of the provisions thereof. The Corporation makes no representations about the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to us of claims on the Mortgage Loans on which they may experience losses.

Any Mortgage Loan with an original principal amount exceeding 80% of the value of the mortgaged property is required to be (i) insured by the FHA, (ii) guaranteed by the VA, HUD or USDA, or (iii) insured under a private mortgage insurance policy in an amount (a) equal to 35%

of the Mortgage Loan if the original loan-to-value ratio is between 95.01% and 100.00%, (b) equal to 30% of the Mortgage Loan if the original loan-to-value ratio is between 90.01% and 95.00%, (c) equal to 25% of the Mortgage Loan if the original loan-to-value ratio is between 85.01% and 90.00% or (d) equal to 12% of the Mortgage Loan if the original loan-to-value ratio is between 80.01% and 85.00%. The only Mortgage Loans which the Corporation purchases at a loan-to-value ratio exceeding 95% are Federally insured or guaranteed Mortgage Loans or mortgage loans made to teachers or health care professionals. FHA insurance coverage and the HUD guarantee equal 100% of the outstanding principal balance of all FHA-insured or HUD-guaranteed Mortgage Loans. The maximum guarantee that may be issued by the VA is based on the size of the Mortgage Loan, as follows: (1) for a Mortgage Loan of not more than $45,000, 50% of the original principal amount of the Mortgage Loan; (2) for a Mortgage Loan greater than $45,000 but not more than $56,250, $22,500; (3) for a Mortgage Loan greater than $56,250 but not more than $144,000, the lesser of $36,000 or 40% of the original principal amount of the Mortgage Loan; and (4) for a Mortgage Loan in excess of $144,000, the lesser of the applicable "maximum guaranty amount" or 25% of the original principal amount of the Mortgage Loan. Such "maximum guaranty amount" generally is 25% of the Freddie Mac conforming loan limit (such limit is currently $625,500 in Alaska). Pursuant to the Housing and Economic Recovery Act of 2008 and the Veterans' Benefits Improvement Act of 2008, the "maximum guaranty amount" for loans originated from July 30, 2008 through December 31, 2011 is 25% of the greater of: (a) the Freddie Mac conforming loan limit, and (b) 125% of the area median price for a single family residence, but in no case to exceed 175% of the Freddie Mac conforming loan limit. For all VA-guaranteed Mortgage Loans, the VA guarantee plus the down payment must be at least 25% of the original Mortgage Loan amount. The USDA guarantee covers the lesser of (a) any loss up to 90% of the original principal amount of the Mortgage Loan or (b) any loss in full up to 35% of the original principal amount of the Mortgage Loan plus 85% of the remaining 65% of the principal amount actually advanced to the mortgagor on any additional loss. The FHA insurance or VA, HUD or USDA guarantee must be maintained for the entire period during which the Corporation owns an interest in the Mortgage Loan. A private mortgage insurance policy is required to be maintained in force and effect (a) for the period during which the Corporation owns an interest in the Mortgage Loan or (b) until the outstanding principal amount of the Mortgage Loan is reduced to 80% of the lesser of the original appraised value of the mortgaged property or the original sale price of the mortgaged property. The cost of any such insurance or guarantee will be paid by the mortgagor.

In general, FHA, VA, HUD and USDA regulations and private mortgage insurance contracts provide for the payment of insurance benefits to a mortgage lender upon the failure of a mortgagor to make any payment or to perform any obligation under the insured or guaranteed mortgage loan and the continuance of such failure for a stated period. In order to receive payment of insurance benefits, a mortgage lender, such as the Corporation, normally must acquire title to the property, either through foreclosure or conveyance in lieu of foreclosure, and convey such title to the insurer. In general, primary mortgage insurance benefits, as limited by the amount of coverage indicated above, are based upon the unpaid principal amount of the mortgage loan at the date of institution of foreclosure proceedings or the acquisition of the property after default, as the case may be, adjusted to reflect certain payments paid or received by the mortgage lender. Where property to be conveyed to an insurer has been damaged, it is generally required, as a condition to payment of an insurance claim, that such property be restored to its original condition (reasonable wear and tear excepted) by the mortgage lender prior to such conveyance or assignment.

FHA, VA and USDA servicing rules provide that servicers must evaluate whether foreclosure or conveyance in lieu of foreclosure can be avoided by taking prescribed loss mitigation actions. Such actions may include arranging a period of temporary forbearance during which payment of a part or all of scheduled monthly payments is deferred or permanently modifying a loan by reducing its interest rate and/or rescheduling payments over a term that may extend beyond the original term of the loan.

**Standard Hazard Insurance Policies**

The following is a brief description of standard hazard insurance policies and reference must be made to the actual underlying policies for a complete and accurate description.

Each mortgagor is required to maintain for the mortgaged property a standard hazard insurance policy in an amount which is not less than (i) the maximum insurable value of the mortgaged property or (ii) the unpaid principal amount of the Mortgage Loan, whichever is less. The insurance policy is required to be written by an insurance company qualified to do business in the State. The mortgagor pays the cost of the standard hazard insurance policy.

In general, a standard insurance policy form of fire with extended coverage policy insures against physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm, hail, riot, strike, and civil commotion, subject to the conditions and exclusions particularized in each policy. Policies typically exclude physical damage resulting from the following: war, revolution, governmental action, floods and other water-related causes, earth movement (including earthquakes, landslides and mud-slides), nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft, and, in certain cases, vandalism.

**Alaska Foreclosure Law**

The real estate security instrument customarily used in the State is the deed of trust. The parties to the deed of trust are the trustor (debtor), trustee and beneficiary (lender). Trustees are commonly title insurance companies. Both summary and judicial foreclosure proceedings are permitted. The deed of trust does not effect a conveyance of legal title, which remains in the trustor. The beneficiary acquires a security interest (lien) which may be enforced in accordance with the terms of the deed of trust and State statutes. Failure of the trustor to perform any of the covenants of the deed of trust generally constitutes an event of default entitling the beneficiary to declare a default and exercise its right of foreclosure.

Summary foreclosure may be used if provided for in the deed of trust. All deeds of trust securing Mortgage Loans transferred to a Series Account of the Program Obligation Fund contain provisions which permit summary foreclosure. Following a default by the trustor, upon request of the beneficiary and not less than three months before the sale, the trustee must record a notice of default in the recording district in which the property is located. After recording the notice of default, the trustee must mail a copy of the notice of default to the trustor, any successors in interest to the trustor, anyone in possession or occupying the property, and anyone who has an interest subsequent to the interest of the trustee in the deed of trust. If the default may be cured by the payment of money, the trustor may cure the default at any time prior to sale by payment of the sum in default without acceleration of the principal which would not then be due in the absence of default, plus actual costs and attorney's fees due to the default. If default has been cured under the same deed of trust after notice of default two or more times, the trustee may elect to refuse payment and continue the foreclosure proceeding to sale. Notice of the sale must be posted in three public places within five miles of where the sale is to be held, not less than thirty days before the day of sale and by publishing a copy of the notice four times, once a week for four successive weeks, in a newspaper of general circulation published nearest the place of sale. The sale must be made at public auction at a courthouse of the superior court in the judicial district where the property is located, unless the deed of trust provides for a different place. After the sale, an affidavit of mailing the notice of default and an affidavit of publication of the notice must be recorded in the recording district where the property is located. The foreclosure sale and conveyance transfers all the title and interest which the trustor had in the property sold at the time of the execution of the deed of trust plus all interest the trustor may have acquired before the sale and extinguishes all junior liens. There is no right of redemption unless otherwise provided by the deed of trust. A deficiency judgment is prohibited where summary foreclosure is utilized.

Judicial foreclosure is also permitted. A deficiency judgment is allowed where judicial foreclosure is utilized, but judicial foreclosure is much more time-consuming than summary foreclosure. The judgment debtor under a judicial foreclosure proceeding has the right to redeem the property within 12 months from the order of confirmation. If the judgment debtor redeems the property, the foreclosure proceeding is terminated. Otherwise, within 60 days after the order confirming the foreclosure sale, any subsequent lien creditor can redeem the property. There can be as many redemptions as there are subsequent lien creditors. Upon expiration of the redemption period, the purchaser or redeemer is entitled to a conveyance of the property.

## THE CORPORATION

### Certain Definitions

"Authority" means the Alaska State Housing Authority.

"Board" means the Board of Directors of the Corporation.

"Department" means the former Department of Community and Regional Affairs.

"Dividend Plan" means the dividend plan adopted by the Board in 1991 to transfer one-half of the lesser of its unrestricted net income or total net income to the State.

"Division" means The Public Housing Division of the Corporation.

"HUD" means the U.S. Department of Housing and Urban Development.

"Self-Liquidity Bonds" means, collectively, the Corporation's $33,000,000 Governmental Purpose Bonds (University of Alaska), 1997 Series A; the Corporation's

$170,170,000 Governmental Purpose Bonds, 2001 Series A and B; the Corporation's $60,250,000 State Capital Project Bonds, 2002 Series C; and the Corporation's $161,760,000 Home Mortgage Revenue Bonds, 2009 Series A and B.

**General**

The Corporation was established in 1971 as a non-stock, public corporation and government instrumentality of the State. The Corporation currently functions as a major source of residential mortgage loan financing and capital project financing in the State. The Corporation's programs were originally established to take advantage of tax-exempt financing permitted under federal income tax law. Mortgages which meet applicable federal income tax requirements are financed by selling tax-exempt bonds. All other mortgages generally are financed through the issuance of taxable bonds or from internal funds. A substantial portion of the Corporation's mortgage purchase activities were funded in the taxable debt markets, including issuance of taxable bonds and the sale of securities in the Eurodollar market. Since 1972, the Corporation has acquired mortgage loans by appropriation from the State and by purchase from independent originating lending institutions operating throughout the State. On July 1, 1992, the Corporation succeeded to the public housing functions of the Authority and the rural housing and residential energy functions of the Department pursuant to legislation enacted in the State's 1992 legislative session. As a result, the rights and obligations created by bonds and notes that were previously issued by the Authority became rights and obligations of the Corporation.

The Corporation prepares and publishes on its website a monthly Mortgage and Bond Disclosure Report containing detailed information concerning characteristics of the Corporation's mortgage loan portfolios and outstanding bond issues, including bond redemptions and mortgage prepayments. The Corporation presently intends to continue to provide such information, but is not legally obligated to do so. Certain financial and statistical information relating to the Corporation and its programs under this heading "The Corporation" was obtained from the audited financial statements of the Corporation, dated June 30, 2010 and June 30, 2011, respectively, and the September 2011 Mortgage and Bond Disclosure Report of the Corporation. Copies of such financial statements and disclosure report may be obtained upon request from the Corporation. The Corporation's main office is located at 4300 Boniface Parkway, Anchorage, Alaska 99504, and its telephone number is (907) 338-6100. Electronic versions of the financial statements and disclosure reports are available at the Corporation's website.

**Board of Directors, Staff and Organization**

The Corporation is required by law to comply (except for the procurement provisions of the Alaska Executive Budget Act), and does comply, with the State budget process. The Corporation administratively operates within the State Department of Revenue. The Board of Directors of the Corporation is comprised of the Commissioner of Revenue, the Commissioner of Commerce, Community and Economic Development and the Commissioner of Health and Social Services, as well as four members from the following sectors of the general public appointed by the Governor to serve two-year terms: one member with expertise or experience in finance or real estate; one member who is a rural resident of the State or who has expertise or experience with a regional housing authority; one member who has expertise or experience in residential energy efficient home-building or weatherization; and one member who has expertise or experience in the provision of senior or low-income housing. The powers of the Corporation are vested in and exercised by a majority of its Board of Directors then in office, who may delegate such powers and duties as appropriate and permitted under the Act. The Corporation's current members of its Board of Directors are as follows:

| **Name** | **Location** |
| --- | --- |
| **Mr. Franklin C. Roppel**<br>Chair | Retired<br>Wrangell, Alaska |
| **Mr. N. Claiborne Porter**<br>Vice-Chair | President<br>NCP Design/Build Ltd.<br>Anchorage, Alaska |
| **Mr. Brent Levalley** | Senior Vice President<br>Denali State Bank<br>Fairbanks, Alaska |
| **Mr. Marty Shuravloff** | Executive Director<br>Kodiak Island Housing Authority<br>Kodiak, Alaska |
| **Mr. Bryan Butcher**<br>Commissioner<br>Alaska Department of Revenue | **Mr. Bruce Tangeman (designee)**<br>Deputy Commissioner<br>Alaska Department of Revenue<br>Juneau, Alaska |
| **Mr. William Streur**<br>Commissioner<br>Alaska Department of Health & Social Services | **Ms. Alison Elgee (designee)**<br>Assistant Commissioner<br>Alaska Department of Health & Social Services<br>Juneau, Alaska |
| **Ms. Susan K. Bell**<br>Commissioner<br>Alaska Department of Commerce, Community & Economic Development | **Mr. Curtis Thayer (designee)**<br>Deputy Commissioner<br>Alaska Department of Commerce, Community & Economic Development<br>Anchorage, Alaska |

The following sub-committees of the Board of Directors have been established: Audit Committee, Investment Advisory Committee, Housing Budget and Policy Committee, and the Personnel Committee.

The Corporation's staff consists of employees organized into the following departments: Administrative Services, Mortgage Operations, Public Housing, Finance, Accounting, Planning and Program Development, Audit, Corporate Communications, Budget, Personnel, and Research and Rural Development. Principal financial officers of the Corporation are as follows:

**Daniel R. Fauske -** Chief Executive Officer/Executive Director. Mr. Fauske joined the Corporation on March 1, 1995. Prior to joining the Corporation, Mr. Fauske worked for the North Slope Borough in Barrow, Alaska from 1985 until 1993. During this time, Mr. Fauske served as Budget Director, Chief Fiscal Officer, and Chief Administrative Officer and managed a $1.2 billion capital improvement program while at the Borough. Mr. Fauske holds a master's degree in business administration from Gonzaga University.

**Michael Buller -** Deputy Executive Director. Mr. Buller has been with the Corporation since June 1995, and previously served as Chief Administrative Officer. He previously worked for the North Slope Borough from 1987 through 1993 as Budget Manager and Deputy Director of the Department of Administration & Finance. From August 1993 through June 1995, Mr. Buller was employed as Assistant City Manager for the City of Unalaska. Mr. Buller holds a master's degree in business administration from Gonzaga University.

**Joseph M. Dubler -** Chief Financial Officer/Finance Director. Mr. Dubler has been with the Corporation since 1989, and previously served as Senior Finance Officer, Finance Officer, Financial Reporting Officer and Financial Analyst II. Mr. Dubler was an auditor with a public accounting firm from 1986 through 1989. Mr. Dubler is a certified public accountant, certified cash manager, and a graduate of San Francisco State University with a Bachelor of Science degree in business administration.

**Peter E. Haines -** Senior Finance Officer. Mr. Haines has been with the Corporation since 1990, and previously served as Financial Analyst I, Financial Analyst II and Finance Officer. Mr. Haines is a certified public accountant, certified cash manager, and a graduate of Brigham Young University with a Bachelor of Science degree.

**Michael L. Strand -** Senior Finance Officer. Mr. Strand joined the Corporation in April 2001, and previously served as Financial Analyst II and Finance Officer. Prior to joining the Corporation, he served for one year as Budget Analyst for Anchorage Municipal Light and Power and for three years as Financial Analyst for VECO Alaska. Mr. Strand is a graduate of the University of Alaska, Anchorage, with a Bachelor of Business Administration degree in finance and economics.

**Activities of the Corporation**

The principal activity of the Corporation is the purchase of residential mortgage loans. This activity has been supplemented by the merger with the Authority under which the Corporation assumed responsibility for the public housing functions of the Authority and its assumption of the rural housing and residential energy functions of the Department. See "The Corporation — General."

***Financing Activities***

The Corporation is authorized by the State Legislature to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as the Corporation deems necessary to provide sufficient funds for carrying out its purpose.

Pursuant to State law, the maximum amount of bonds that the Corporation may issue during any fiscal year (the Corporation's fiscal years end on June 30) is $1.5 billion. Bonds issued to refund outstanding bonds and to refinance outstanding obligations of the Corporation are not counted against the maximum annual limit.

Since 1986, implementation of refinancing programs by the Corporation has resulted in the prepayment of outstanding mortgage loans with a corresponding redemption at par of substantial amounts of the Corporation's notes or bonds secured by such mortgage loans.

Since 1997, the Corporation has issued certain Self-Liquidity Bonds, which are variable rate demand obligations with weekly interest rate resets. If these bonds are tendered or deemed tendered, the Corporation has the obligation to purchase any such bonds that cannot be remarketed. This general obligation is not secured by any particular funds or assets, including any assets that may be held under the related indentures. The Corporation may issue additional bonds for which it will provide liquidity support similar to that it currently provides for the Self-Liquidity Bonds.

Between July 1, 2008 and October 21, 2008, certain of the Corporation's variable rate demand obligations (including Self-Liquidity Bonds) tendered or deemed tendered were purchased upon remarketing and held by the Alaska Housing Capital Corporation ("AHCC"), a subsidiary of the Corporation. No Corporation obligations are currently held by AHCC.

Other variable rate demand obligations issued by the Corporation are the subject of liquidity facilities provided by third-party liquidity providers in the form of standby bond purchase agreements. If such obligations are tendered or deemed tendered, the related liquidity provider is obligated to purchase any such obligations that cannot be remarketed. Such purchase obligation also arises in connection with the expiration of such facility in the absence of a qualifying substitute therefor. Bonds so purchased and held by third-party liquidity providers will thereupon begin to bear higher rates of interest and be subject to accelerated mandatory redemption by the Corporation, in each case in accordance with and secured by the related indenture.

Between July 1, 2008 and May 26, 2009, certain third-party liquidity providers purchased and held pursuant to the related liquidity facilities certain variable rate demand obligations of the Corporation that were tendered or deemed tendered and not remarketed. No Corporation obligations are currently held by third-party liquidity providers.

The following table sets forth certain information regarding the Corporation's variable rate demand obligations as of September 30, 2011:

| Bond Series | Amount Outstanding | Liquidity Provider (or Self-Liquidity) | Facility Expiration Date |
|---|---|---|---|
| Home Mortgage Revenue Bonds, 2007 Series A, B and D | $239,370,000 | Landesbank Baden-Wurttemberg | May 30, 2017 |
| Home Mortgage Revenue Bonds, 2002 Series A | 165,800,000 | JPMorgan Chase Bank, N.A. | August 11, 2014 |
| Home Mortgage Revenue Bonds, 2009 Series A and B | 161,760,000 | Self-Liquidity | NA† |
| Governmental Purpose Bonds, 2001 Series A and B | 133,200,000 | Self-Liquidity | NA† |
| Home Mortgage Revenue Bonds, 2009 Series D | 80,870,000 | Bank of America, N.A. | August 24, 2014 |
| State Capital Project Bonds, 2002 Series C | 60,250,000 | Self-Liquidity | NA† |
| Governmental Purpose Bonds, 1997 Series A | 14,600,000 | Self-Liquidity | NA† |
| | $855,850,000 | | |

† The Corporation's obligation to purchase Self-Liquidity Bonds tendered or deemed tendered remains in effect so long as the related variable rate bonds are outstanding or until a qualifying third-party liquidity facility has replaced it.

The Corporation's financing activities include recurring long-term debt issuances under established bond indentures described below. Such issuances constitute the majority of the Corporation's financing activities.

*Mortgage Revenue Bonds and Home Mortgage Revenue Bonds*. The Corporation funds its Tax-Exempt First-Time Homebuyer Program with the proceeds of Mortgage Revenue Bonds and Home Mortgage Revenue Bonds. Qualified mortgage loans and/or mortgage-backed securities are pledged as collateral for the Mortgage Revenue Bonds and Home Mortgage Revenue Bonds. Mortgage Revenue Bonds and Home Mortgage Revenue Bonds are also general obligations of the Corporation.

*Collateralized Bonds*. The Corporation funds its Veterans Mortgage Program with the proceeds of State-guaranteed Collateralized Bonds. Qualified mortgage loans and/or mortgage-backed securities are pledged as collateral for the Collateralized Bonds. Collateralized Bonds are also general obligations of the Corporation and general obligations of the State.

*Housing Development Bonds.* The Corporation funds its Multifamily Loan Purchase Program with the proceeds of Housing Development Bonds. Housing Development Bonds are general obligations of the Corporation.

*General Mortgage Revenue Bonds*. The Corporation issues General Mortgage Revenue Bonds to finance capital expenditures, with certain proceeds available for general corporate purposes. The Corporation expects that proceeds of future issues of General Mortgage Revenue Bonds will only be used to refund other obligations of the Corporation. Mortgage loans and/or mortgage-backed securities are pledged as collateral for the General Mortgage Revenue Bonds. General Mortgage Revenue Bonds are also general obligations of the Corporation.

*General Housing Purpose Bonds*. The Corporation issues General Housing Purpose Bonds to finance certain capital expenditures of the State. The Corporation expects that proceeds of future issues of General Housing Purpose Bonds will only be used to refund other obligations of the Corporation. General Housing Purpose Bonds are general obligations of the Corporation.

*Governmental Purpose Bonds*. The Corporation issues Governmental Purpose Bonds to finance capital expenditures of the State for governmental purposes, with certain proceeds available for general corporate purposes. Governmental Purpose Bonds are general obligations of the Corporation.

*State Capital Project Bonds*. The Corporation issues State Capital Project Bonds to finance designated capital projects of State agencies and instrumentalities. State Capital Project Bonds are also used to finance building purchases that may or may not be secured by lease agreements between the Corporation and the State of Alaska. State Capital Project Bonds are general obligations of the Corporation.

The following tables set forth certain information as of September 30, 2011 regarding bonds issued under the above-described financing programs:

**Bonds Issued and Remaining Outstanding by Program**

| Bond Program | Issued through 9/30/2011 | Issued During Three Months Ended 9/30/2011 | Outstanding as of 9/30/2011 |
|---|---|---|---|
| Home Mortgage Revenue Bonds | $ 1,262,675,000 | $ 0 | $1,025,025,000 |
| State Capital Project Bonds | 680,190,000 | 0 | 347,525,000 |
| Mortgage Revenue Bonds | 1,219,955,353 | 0 | 301,505,000 |
| General Housing Purpose Bonds | 811,635,000 | 0 | 280,890,000 |
| Veterans Collateralized Bonds | 1,900,385,000 | 0 | 244,520,000 |
| Housing Development Bonds | 570,290,000 | 0 | 231,425,000 |
| Governmental Purpose Bonds | 973,170,000 | 0 | 147,800,000 |
| General Mortgage Revenue Bonds | 1,220,245,874 | 0 | 146,415,000 |
| Other Bonds | 8,335,002,895 | 0 | 0 |
| Total Bonds | $16,973,549,122 | $0 | $2,725,105,000 |

**Summary of Bonds Issued and Remaining Outstanding**

| | Issued through 9/30/2011 | Issued During Three Months Ended 9/30/2011 | Outstanding as of 9/30/2011 |
|---|---|---|---|
| Tax-Exempt Bonds | $12,467,234,122 | $0 | $2,494,275,000 |
| Taxable Bonds | 4,506,315,000 | 0 | 230,830,000 |
| Total Bonds | $16,973,549,122 | $0 | $2,725,105,000 |
| Self-Liquidity Bonds† | $725,500,000 | $0 | $369,810,000 |

† For information only. These amounts are already included in the categories above.

The Corporation's financing activities also include recurring short-term debt issuances under established programs or agreements. The proceeds of such issuances may be used for any lawful purpose of the Corporation; however, the Corporation has in the past used and intends to continue to use such proceeds to temporarily refund outstanding tax-exempt obligations prior to their permanent refunding through the issuance of tax-exempt bonds.

*Commercial Paper Notes Program*. On June 13, 2007, the Corporation's Board of Directors authorized a domestic Commercial Paper Notes Program with a major dealer under which the maximum principal amount of notes outstanding at any one time shall not exceed $150,000,000. The Commercial Paper Notes Program is rated "P-1" by Moody's, "A-1+" by S&P, and "F1+" by Fitch. This Commercial Paper Notes Program supersedes the Corporation's prior domestic Commercial Paper Notes Program and its Euro-Commercial Paper Program, both of which, while still available, have no outstanding balances and under which the Corporation does not intend to issue additional notes.

*Reverse Repurchase Agreements*. The Corporation may enter into reverse repurchase agreements in such amounts as it deems necessary for carrying out its purpose.

***Lending Activities***

The Corporation finances its lending activities with a combination of general operating funds, bond proceeds, and loan prepayments and earnings derived from the permitted spread between borrowing and lending rates. The Corporation acquires mortgage loans after they have been originated and closed by direct lenders, which normally are financial institutions or mortgage companies with operations in the State. Under many of the Corporation's programs, the originating lender continues to service the mortgage loan on behalf of the Corporation. The Corporation also makes available a streamlined refinance option that allows applicants to obtain new financing secured by property that is currently financed by the Corporation without income, credit, or appraisal qualifications.

Following are brief descriptions of the Corporation's lending programs:

*Tax-Exempt First-Time Homebuyer Program*. The Tax-Exempt First-Time Homebuyer Program offers lower interest rates to eligible borrowers who meet income, purchase price, and other requirements of the Code.

*Veterans Mortgage Program*. The Veterans Mortgage Program offers a reduced interest rate to qualified veterans who purchase or construct owner-occupied single-family residences or, with certain restrictions, who purchase a duplex, triplex, or fourplex.

*Taxable First-Time Homebuyer*. The Taxable First-Time Homebuyer Program offers a reduced interest rate to first-time homebuyers whose loans do not meet the Code requirements of the Tax-Exempt First-Time Homebuyer Program.

*Rural Loan Program*. The Rural Loan Program offers financing to purchase, construct, or renovate owner occupied and non-owner occupied housing in small communities. The Rural interest rate is one percent below the rate established for the Corporation's Taxable Program and is applied to the first $250,000 of the loan only. The balance of the loan is at the Rural interest rate plus 1%.

*Taxable Program*. The Taxable Program is available statewide for applicants or properties not meeting requirements of other Corporation programs. Borrowers and properties must meet the Corporation's general financing requirements. This program also includes non-conforming loans for certain properties for which financing may not be obtained through private, state or federal mortgage programs.

*Multi-Family Loan Purchase Program*. The Corporation participates with approved lenders to provide financing for the acquisition, rehabilitation, and refinancing of multi-family housing (buildings with at least five units and designed principally for residential use) as well as certain special-needs and congregate housing facilities.

The following tables set forth certain information as of September 30, 2011 regarding the mortgage loans financed under the above-described lending programs:

## Mortgage Purchases by Program

| Loan Program | Original Principal Balance of Mortgage Loans Purchased During FY 2010 | Original Principal Balance of Mortgage Loans Purchased During FY 2011 | Original Principal Balance of Mortgage Loans Purchased During Three Months Ended 9/30/2011 |
|---|---|---|---|
| Tax-Exempt First-Time Homebuyer | $94,969,235 | $102,721,624 | $32,269,015 |
| Taxable Other | 40,722,619 | 80,023,975 | 17,689,082 |
| Rural | 34,662,762 | 89,106,667 | 17,594,996 |
| Taxable First-Time Homebuyer | 49,989,954 | 49,934,157 | 11,785,609 |
| Veterans Mortgage Program | 59,852,725 | 77,717,901 | 6,725,420 |
| Multi-Family | 9,166,900 | 16,908,700 | 5,189,000 |
| Total Mortgage Purchases | $289,364,195 | $416,413,024 | $91,253,122 |
| | | | |
| Streamline Refinance† | $15,555,813 | $46,293,766 | $3,509,489 |

† For information only. These amounts are already included in the categories above.

## Mortgage Portfolio Summary

| | As of 6/30/2010 | As of 6/30/2011 | As of 9/30/2011 |
|---|---|---|---|
| Mortgages and Participation Loans | $2,979,761,075 | $2,761,295,562 | $2,722,305,426 |
| Real Estate Owned and Insurance Receivables | 3,894,386 | 5,469,821 | 4,539,041 |
| Total Mortgage Portfolio | $2,983,655,461 | $2,766,765,383 | $2,726,844,467 |

## Mortgage Insurance Summary†

| Type | Outstanding Principal Balance as of 9/30/2011 | Percentage of Total Mortgage Loans by Outstanding Principal Balance |
|---|---|---|
| Uninsured†† | $1,122,546,396 | 41.2% |
| Federally Insured – FHA | 632,958,023 | 23.3 |
| Federally Insured – VA | 519,612,726 | 19.1 |
| Federally Insured – RD | 183,697,585 | 6.7 |
| Private Mortgage Insurance††† | 167,916,242 | 6.2 |
| Federally Insured – HUD 184 | 95,574,454 | 3.5 |
| TOTAL | $2,722,305,426 | 100.0% |

† This table contains information regarding the types of primary mortgage insurance coverage applicable to the Corporation's mortgage loans at their respective originations. No representation is made as to the current status of primary mortgage insurance coverage.

†† Uninsured Mortgage Loans represent loans for which the original loan-to-value ratio was not in excess of 80% (90% for loans in rural areas) and insurance coverage was therefore not required. No representation is made as to current loan-to-value ratios.

††† The following table sets forth information with respect to the providers of such private mortgage insurance. No representation is made as to the amount of private mortgage insurance coverage provided by carriers whose claims-paying ability is rated investment grade or better by Moody's, S&P or Fitch.

| PMI Provider | Outstanding Principal Balance as of 9/30/2011 | Percentage of Total Mortgage Loans by Outstanding Principal Balance |
|---|---|---|
| CMG Mortgage Insurance | $ 38,206,405 | 1.5% |
| Mortgage Guaranty | 35,857,988 | 1.3 |
| Radian Guaranty | 32,780,719 | 1.2 |
| PMI Mortgage Insurance | 28,174,269 | 1.0 |
| Genworth GE | 27,588,117 | 1.0 |
| Commonwealth | 4,437,729 | 0.2 |
| United Guaranty | 648,503 | 0.0 |
| Republic Mortgage Insurance | 222,512 | 0.0 |
| TOTAL | $167,916,242 | 6.2% |

**Mortgage Delinquency and Foreclosure Summary**

| | As of 6/30/2010 | As of 6/30/2011 | As of 9/30/2011 |
|---|---|---|---|
| Delinquent 30 Days | 2.64% | 2.51% | 2.66% |
| Delinquent 60 Days | 1.28 | 1.15 | 1.15 |
| Delinquent 90 Days or More | 1.42 | 1.48 | 1.70 |
| Total Mortgage Delinquency | 5.34% | 5.14% | 5.51% |

| | Twelve Months Ended 6/30/2010 | Twelve Months Ended 6/30/2011 | Three Months Ended 9/30/2011 |
|---|---|---|---|
| Total Foreclosures | $13,774,776 | $16,824,228 | $3,888,118 |

***Public Housing Activities***

The Corporation performs certain public housing functions in the State through the Division. The Division operates Low Rent and Section 8 New Construction/Additional Assistance housing to serve low-income families, disabled persons and seniors in several communities throughout Alaska. The Division also administers the rent subsidies for numerous families located in private-sector housing through vouchers, certificates, and coupons issued pursuant to Section 8 of the United States Housing Act of 1937. The Division's operating budget is funded primarily through contracts with HUD. The Division is engaged in a number of multifamily renovation and new construction projects throughout the State.

**Financial Results of Operations**

The following is a summary of revenues, expenses and changes in net assets of the Corporation for each of its five most recent fiscal years, which have been derived from Note 25 to the Corporation's audited annual financial statements dated June 30, 2011, contained in Appendix A — "Financial Statements of the Corporation."

**Summary of Revenues, Expenses and Changes in Net Assets**
**(000's)**

| | Fiscal Year Ended June 30 | | | | |
|---|---|---|---|---|---|
| | **2011** | **2010** | **2009** | **2008** | **2007** |
| **Total Assets and Deferred Outflows** | $4,542,040 | $4,796,817 | $4,731,425 | $4,946,119 | $4,896,900 |
| **Total Liabilities and Deferred Inflows** | 2,948,221 | 3,172,826 | 3,059,314 | 3,279,948 | 3,212,428 |
| **Total Fund Equity** | 1,593,819 | 1,623,991 | 1,672,111† | 1,666,171 | 1,684,472 |
| **Total Operating Revenues** | 385,695 | 397,258 | 355,357 | 341,847 | 344,989 |
| **Total Operating Expenses** | 398,606 | 407,032 | 333,997 | 306,534 | 304,512 |
| **Operating Income (Loss)** | (12,911) | (9,774) | 21,360 | 35,313 | 40,477 |
| **Contribution to State or State agency** | (20,349) | (36,772) | (15,420) | (53,614) | (346,037) |
| **Special item** | 3,088 | 0 | 0 | 0 | 0 |
| **Change in Net Assets** | (30,172) | (46,546) | 5,940 | (18,301) | (305,560) |

† Does not reflect the FY2010 cumulative effect of accounting change.

## Legislative Activity/Transfers to the State

### *Prior Transfers to the State*

The Board adopted the Dividend Plan in 1991 to transfer one-half of the lesser of its unrestricted net income or total net income to the State. Under the Dividend Plan, in 1991 the Corporation transferred a total of $114,324,000 to the State. Additionally, in 1995, the Board voted to make a one-time payment to the State in the amount of $200,000,000. On April 27, 1995, the Corporation agreed to make a one-time transfer of $50,000,000 to the State and close the Dividend Plan. In 1997, the Corporation transferred to the State's general fund $20,000,000 made available as a consequence of certain bond retirements.

### *The Current Transfer Plan*

In the fiscal year 1996 capital appropriation bill (the April 27, 1995 agreement referred to in the immediately preceding paragraph and the 1996 capital appropriation bill, as amended, collectively, the "Transfer Plan") the Legislature expressed its intent that the Corporation transfer to the State (or expend on its behalf) amounts not to exceed $127,000,000 in fiscal year 1996 and $103,000,000 in each fiscal year from 1997 to 2000, but that, "[T]o ensure the prudent management of [the Corporation and] to protect its excellent debt rating …" in no fiscal year should such amount exceed the Corporation's net income for the preceding fiscal year.

The 1998 Legislature adopted legislation (the "1998 Act") authorizing the Corporation to finance state capital projects through the issuance of up to $224,000,000 in bonds. The 1998 Act also extended the term of the Transfer Plan by stating the Legislature's intent that the Corporation transfer to the State (or expend on its behalf) an amount not to exceed $103,000,000 in each fiscal year through fiscal year 2006, again stating that, to protect the Corporation and its bond rating, in no fiscal year should such amount exceed the Corporation's net income for the preceding fiscal year.

The 2000 Legislature adopted legislation (the "2000 Act") authorizing the issuance of bonds in sufficient amounts to fund the construction of various State capital projects, and extended the Transfer Plan (as described above) through fiscal year 2008.

The 2002 Legislature adopted legislation (the "2002 Act") authorizing the issuance of $60,250,000 in capital project bonds for the renovation and deferred maintenance of the Corporation's Public Housing facilities.

The 2004 Legislature adopted legislation (the "2004 Act") authorizing the additional issuance of bonds in sufficient amounts to fund the construction of various State capital projects. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The Corporation has issued $196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, $74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, $60,250,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and $45,000,000 principal amount of State Capital Project Bonds pursuant to the 2004 Act, and has completed its issuance authority under the Acts. Payment of principal and interest on these bonds is categorized as a transfer pursuant to the Transfer Plan and is included in the Corporation's capital budget.

The 2003 Legislature enacted Chapter 76 SLA 2003, subsequently amended by Chapter 120 SLA 2004, Chapter 7 SLA 2006 and Chapter 35 SLA 2010 (as so amended, the "2003 Act"), which modified and incorporated provisions of the Transfer Plan. The Corporation views the 2003 Act as an indefinite, sustainable continuation of the Transfer Plan. The 2003 Act provides that the amount transferred by the Corporation to the State in fiscal years 2004, 2005, and 2006 shall not exceed $103,000,000 (in each case, less debt service on certain State Capital Project Bonds and any legislative appropriation of the Corporation's unrestricted, unencumbered funds other than appropriations for the Corporation's operating budget).

The 2003 Act further provides that the amount transferred by the Corporation to the State in each fiscal year beginning with fiscal year 2007 shall not exceed:

(i) the lesser of (A) $103,000,000 and (B) the respective percentage of adjusted change in net assets for the fiscal year two years prior thereto (the "base fiscal year") for such fiscal year set forth in the table below, less

(ii) debt service on certain State Capital Project Bonds, less

(iii) any legislative appropriation of the Corporation's unrestricted, unencumbered funds other than appropriations for the Corporation's operating budget.

| Fiscal Year | Percentage of Adjusted Change in Net Assets |
|---|---|
| 2007 | 95% |
| 2008 | 85% |
| 2009 and thereafter | 75% |

Under the 2003 Act, "adjusted change in net assets" means the change in net assets for a base fiscal year as reflected in the Corporation's financial statements, adjusted for capital expenditures incurred during such year and, effective June 20, 2010, temporary market value adjustments to assets and liabilities made during such year.

***Aggregate Transfers to the State of Alaska***

The following reflects the aggregate transfers the Corporation has made to the State through June 30, 2011, or which, in the case of the University of Alaska deferred maintenance funding for other than student housing, were appropriated and incorporated in agreements where actual payments will be made as requested.

| Transfer Type | Pre-FY11 | FY11 | Total |
|---|---|---|---|
| State Debt Repayment | $ 29,800,000 | $ 0 | $ 29,800,000 |
| Asset Purchases | 252,300,000 | 0 | 252,300,000 |
| Dividends | 114,300,000 | 0 | 114,300,000 |
| Direct Cash Transfers | 631,653,000 | 0 | 631,653,000 |
| Other State Appropriations | 302,654,000 | 0 | 302,654,000 |
| Non-Housing Capital Projects | 302,325,000 | 16,568,000 | 318,893,000 |
| Various Bonds' Proceeds Disbursed | 308,634,000 | 3,781,000 | 312,415,000 |
| Total Transfers | $1,941,666,000 | $20,349,000 | $1,962,015,000 |

### *Corporation Budget Legislation*

The Corporation's fiscal year 2012 operating budget was approved by the Legislature at approximately the amount submitted during the fiscal year 2011 legislative session, including the full level of funding requested by the Corporation for personnel and contractual costs. Consistent with the Transfer Plan, the enacted fiscal year 2012 operating budget estimated that $23,115,600 would be available from net income for payment of debt service and appropriation for capital projects.

There can be no assurance that the Legislature or the Governor of the State will not seek and/or enact larger dividends or other transfers of Corporation assets by legislative enactment or other means in the future.

## Litigation

There are no threatened or pending cases in which the Corporation is or may be a defendant which the Corporation feels have merit and which it feels could give rise to materially negative economic consequences.

# SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. The summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Indenture. For a description of certain provisions of the Indenture relating to the Subject Bonds, see "The Subject Bonds."

**Certain Definitions** (Section 102)

"Appreciated Amount" means, with respect to any Deferred Interest Bond, as of any date of computation, (i) if the date of computation occurs before the Current Interest Payment Date, if any, for such Bond, the sum of (A) the initial principal amount of such Bond, (B) if the date of computation is on or after the first Interest Payment Date for such Bond, all interest that has accrued on such Bond through the most recent Interest Payment Date (or through the date of computation, if on an Interest Payment Date) and (C) if the date of computation is not on an Interest Payment Date, the difference between the Appreciated Amount as of the most recent Interest Payment Date (or the date of issuance if the date of computation is prior to the first Interest Payment Date) and the Appreciated Amount as of the next Interest Payment Date, pro rated from such most recent Interest Payment Date (or the date of issuance, as applicable) to the date of computation and calculated assuming that the Appreciated Amount accrues in equal daily amounts on the daily basis set forth in the Authorizing Indenture or (ii) if the date of computation occurs after the Current Interest Payment Date for such Bond, the Appreciated Amount of such Bond calculated as described in (i) of this definition as of such Current Interest Payment Date for such Bond.

For purposes of actions, requests, notifications, consents or directions of owners of Bonds under the Indenture, the date of computation of the Appreciated Amount shall be as of the most recent Interest Payment Date (or the date of issuance if the date of computation is prior to the first Interest Payment Date) or on the date of computation if it is an Interest Payment Date.

"Asset-to-Liability Ratio" means the percentage derived from dividing (i) the amounts in all Funds (except the Special Reserve Fund and the Rebate Fund) less the amount of interest accrued but unpaid on the Bonds (other than Deferred Interest Bonds), by (ii) the principal balance of Bonds Outstanding, all determined as of the date of calculation.

"Bond Coverage" means a condition which shall be deemed to exist as of any date of certification of either the test set forth in paragraph (A) below or the test set forth in paragraph (B) below is met as of such date:

(A) The Corporation delivers to the Trustee a Certificate certifying that the schedules attached thereto show Parity and show receipt and application of amounts which are in any Fund (except the Rebate Fund and the Special Reserve Fund) sufficient and available to provide timely payment of the principal of and interest on the Bonds on each Debt Service Payment Date and Program Expenses, up to the amount permitted to be paid out of the Operating Account pursuant to the Indenture, from (and including) the first Debt Service Payment Date that is or that follows the date of certification to the maturity of the Bonds. In each case the Certificate must show sufficient funds under each of the following sets of assumptions and, in the case of each such schedule, assuming any timing of redemption of Bonds which each such schedule shall show (provided Bonds are redeemed thereunder from amounts in the Redemption Account and the Scheduled Principal Account in accordance with the provisions of the Indenture and the applicable Authorizing Indentures):

(1) assuming receipt of Scheduled Payments;

(2) assuming prepayment as of the date of certification of 100% of the principal of, and payment of 100% of accrued interest on, all Program Obligations then held under the Indenture or assumed, for purposes of such Certificate, to be held under the Indenture;

(3) assuming receipt of Scheduled Payments to, and such 100% prepayment on, the day after the first Debt Service Payment Date on the Bonds following the date of certification;

(4) assuming prepayment as of the date of certification of principal of, and payment of accrued interest on, Program Obligations then held under the Indenture or assumed, for purposes of such Certificate, to be held under the Indenture in amounts sufficient to redeem all Bonds then Outstanding (and the redemption of such Bonds on the earliest possible redemption date) except Deferred Interest Bonds; and

(5) assuming prepayment as of the date of certification of principal of, and payment of accrued interest on, Program Obligations then held under the Indenture or assumed, for purposes of such Certificate, to be held under the Indenture that bear interest at a rate equal to or greater than the lowest rate of interest applicable to any Bonds then Outstanding and assuming receipt of Scheduled Payments on all other Program

Obligations held under the Indenture or as assumed, for purposes of such Certificate, to be held under the Indenture.

(B) The Corporation delivers to the Trustee a Bond Coverage Certificate certifying as to another calculation (including, without limitation, any definition or component thereof) that is of Rating Quality.

Any Certificate delivered to the Trustee pursuant to this definition shall conform to the requirements of the Indenture and either (A) or (B) of this definition. When the Corporation delivers a Bond Coverage Certificate under (A) of this definition, the schedules attached to the Certificate shall be based upon the Investment Assumptions and the Mortgage Payment Assumptions in addition to the assumptions required elsewhere in this definition, and shall provide a detailed calculation of all data relevant thereto, setting forth in detail each of the items required to be set forth in such Certificate. The Trustee shall review each such Certificate as to its conformity to the requirements of this definition, but as to the actual calculations and conformity to the assumptions required in this definition the Trustee shall have no responsibility to verify the same.

"Code" means the applicable provisions of the Internal Revenue Code of 1954, as amended, and the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or applicable thereto.

"Costs of Issuance" means, with respect to a Series of Bonds, any items of expense directly or indirectly payable or reimbursable by the Corporation and related to the authorization, sale and issuance of such Bonds, including but not limited to printing costs; costs of preparation and reproduction of documents; filing and recording fees; initial fees and charges (including legal fees and charges) of the Trustee and of any fiduciary, including, but not limited to, paying agents and providers of letters of credit and other forms of credit or liquidity enhancement in connection with such Bonds; legal fees and charges; fees and disbursements of consultants and professionals; costs of credit ratings; fees and charges for preparation, execution, transportation and safekeeping of such Bonds; and any other cost, charge or fee in connection with the issuance of such Bonds.

"Current Interest Payment Date" means the date, if any, set forth in the Authorizing Indenture for a Deferred Interest Bond as the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable Interest Payment Dates.

"Debt Service Payment" means any scheduled payment of principal of or interest on the Bonds, together with payment of the Redemption Price of and accrued interest on the Bonds in the event that the Bonds are redeemed.

"Debt Service Payment Date" means any date on which any Debt Service Payment shall be due, including the date (if any) of the redemption of any Bonds.

"Insurance Policy" means (i) a mortgage policy of title insurance, issued by a title insurance company qualified to do business in the State and acceptable to the Corporation, insuring the Corporation that the Mortgage on the premises is a valid and enforceable first mortgage, subject only to Permitted Encumbrances, (ii) a standard homeowner's form of fire insurance with extended coverage policy, (iii) if the loan-to-value ratio of the mortgaged property exceeds eighty percent, but does not exceed ninety percent, private mortgage insurance covering twenty percent of the Mortgage or, if the loan-to-value ratio exceeds ninety percent, private mortgage insurance covering twenty-five percent of the Mortgage or, in either of such events, alternatively, Federal mortgage insurance or guaranty; and (iv) in the case of a Streamlined Mortgage Loan, private mortgage insurance to the extent required by the Corporation at the time such Streamlined Mortgage Loan was refinanced.

"Investment Agreement" means a guaranteed investment contract which may be entered into between the Corporation or the Trustee at the direction of the Corporation and any corporation (including the Trustee and its affiliates) having (as of the date of execution of the Investment Agreement) outstanding unsecured obligations that are rated at least (i) "Aa2/P-1" by Moody's and in the highest rating category by S&P and Fitch (if rated by Fitch) for the Revenue Fund and the Bond Principal Fund (and the Accounts therein) and (ii) "Aa2/P-1" by Moody's, "AA-/A-1+" by S&P and "AA-/F-1+" by Fitch (if rated by Fitch) for the Program Obligation Fund (and the Accounts therein), or if such corporation lacks the applicable ratings, having long-term debt securities rated in the highest rating category by the Rating Agencies; provided, however, that, in lieu of the foregoing, any guaranteed investment contract shall be of Rating Quality.

"Investment Assumptions" means an annual rate of 2.5%; provided, however, that if, at the date of any Bond Coverage Certificate to be delivered investment earnings assumptions used by the Rating Agencies are higher than the assumed annual rate set forth in this definition (as evidenced in writing from each Rating Agency) or if actual investment earnings may be calculated for any period (including any period commencing in the future in the case of amounts which when received will be invested under an Investment Agreement) by reason of the existence of a rate assured by an Investment Agreement or on Investment Securities, then "Investment Assumptions" shall mean the earnings at the earning assumptions used by the Rating Agencies or the earnings on the Investment Agreement or Investment Securities (but only until the termination date or final maturity of such Investment Agreement or Investment Security) as the case may be; provided, however, that "Investment Assumptions" may be modified by Supplemental Indenture if such modification will not adversely affect the ratings then assigned to any Bonds by the Rating Agencies without regard to any bond insurance or any other form of credit enhancement.

"Investment Securities" means any of the following investments bearing interest or issued at a discount:

(1) direct obligations of, and obligations fully guaranteed as to full and timely payment of interest and principal by, the United States of America, or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America;

(2) instruments evidencing direct ownership interests in direct obligations of the United States of America, or specified portions (such as principal or interest) of such obligations, which obligations are held by a custodian in safe keeping on behalf of the holders of such instruments, if such instruments have terms, conditions and/or a credit quality such that the

ratings assigned to the Bonds without regard to any bond insurance or any other form of credit enhancement will not be adversely affected;

(3) demand and time deposits in, certificates of deposit of, and banker's acceptances issued by, the Trustee, its affiliates or any other bank or trust company organized under the laws of the United States of America or any state thereof and subject to supervision and examination by Federal and/or state banking authorities, or any foreign bank with a branch or agency licensed under the laws of the United States of America or any state thereof or under the laws of a country the Moody's sovereign rating for bank deposits in respect of which is "Aaa", so long as at the time of such investment (a) the unsecured debt obligations of such bank or trust company (or, in the case of the principal bank in a bank holding company system, the unsecured debt obligations of such bank holding company) have credit ratings from S&P, Moody's and Fitch (if rated by Fitch) at least equal to the ratings of the Bonds which were in effect at the time of issuance thereof or (b) the investment matures in 6 months or less and such bank or trust company (or, in the case of the principal bank in a bank holding system, such bank holding company) has outstanding commercial paper rated "A-1+" by S&P, "P-1" by Moody's and "F-1+" by Fitch (if rated by Fitch);

(4) repurchase obligations held by the Trustee or a third party acting as agent for the Trustee with a maturity date not in excess of 30 days with respect to (a) any security described in paragraph (1), or (b) any other security issued or guaranteed by an agency or instrumentality of the United States of America, in either case entered into with any other bank or trust company (acting as principal) described in clause (b) of paragraph (3) above;

(5) securities (other than securities of the types described in the other paragraphs under this definition of Investment Securities) which at the time of such investment have ratings from S&P, Moody's and Fitch (including Fitch only if rated by Fitch) at least equal to the highest ratings categories of the Rating Agencies for obligations similar to the Bonds which were in effect at the time of issuance thereof and which evidence a debt of any corporation organized under the laws of the United States of America or any state thereof excluding federal securities that were purchased at a price in excess of par; provided, however, that such securities issued by any particular corporation will not be Investment Securities to the extent that investment therein will cause the then outstanding principal amount of securities issued by such corporation and held under the Indenture to exceed 10% of the aggregate outstanding principal balances and amounts of all Program Obligations and Investment Securities held under the Indenture;

(6) securities (a) which at the time of such investment have ratings from S&P, Moody's and Fitch (if rated by Fitch) at least equal to the highest ratings available from such Rating Agencies for obligations similar to the Bonds; (b) which evidence a debt of any state or municipal government of the United States or any agency, instrumentality, or public corporation thereof authorized to issue bonds on behalf thereof or any nonprofit corporation described in Revenue Ruling 63-20; and (c) the interest on which is exempt from Federal income taxation to the same extent that interest on the Bonds (other than Bonds the interest on which is intended not to be excluded from gross income for Federal income tax purposes) is exempt from Federal income taxation and is not treated as a preference item to be included in calculating the alternative minimum tax imposed under the Code;

(7) money market funds that invest exclusively in securities described in paragraph (6) of this definition and have a rating of “Aaa” by Moody’s, “AAAm” or “AAAm-G” by S&P and “AAA” by Fitch (if rated by Fitch), including money market funds from which the Trustee or its affiliates derive fees for investment advisory or other services to the fund;

(8) commercial paper with a maturity date not in excess of 270 days rated “A-1+” by S&P, “P-1” by Moody’s and “F-1+” by Fitch (if rated by Fitch) at the time of such investment;

(9) an Investment Agreement;

(10) money market funds (other than those described in paragraph (7) of this definition), rated “AAAm” or “AAAm-G” by S&P, “Aaa” by Moody’s and “AAA” by Fitch (if rated by Fitch), secured by obligations with maturities of one year or less the payment of principal and interest on which is guaranteed by the full faith and credit of the United States of America, including money market funds from which the Trustee or its affiliates derive fees for investment advisory or other services to the fund;

(11) any other investment of Rating Quality.

None of the above-described investments may have a S&P ‘r’ highlighter affixed to its ratings. Each investment must have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change. Interest may be either fixed or variable. Variable rate interest should be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with that index.

“Mortgage Certificate” means a FNMA MBS, a GNMA Certificate (which may be in book-entry form and, if held in book-entry form with PTC, must be held in a limited-purpose account), or a FHLMC Certificate, in each case registered in the name of the Trustee, or its nominee, as Trustee under the Indenture.

“Mortgage Loan” means a loan for construction, improvement, or acquisition of Residential Housing or to refinance such a loan or otherwise relating to Residential Housing and, in all events, secured by a Mortgage or an instrument backed by a pool of such loans and containing such repayment provisions as the Corporation may permit. Each such loan must:

(1) be for the purchase of an owner-occupied, one-, two-, three-, or four-family residence located in the State, a one-family condominium unit, or a dwelling unit located in a building containing more than two units;

(2) be secured by a Mortgage constituting a first lien, subject only to Permitted Encumbrances, on the residential housing and the premises on which the same is located or on a leasehold interest therein having a remaining term, at the time such mortgage loan is acquired, sufficient in the opinion of the Corporation to provide adequate security for such mortgage loan;

(3) bear a fixed rate of interest for an initial term of not less than 15 years, but not more than 30 years; and

(4) be subject to an Insurance Policy.

"Mortgage Payment Assumptions" means and includes the following assumptions to be used by the Corporation in preparing each Bond Coverage Certificate: (1) payment lags from the first day of the month in which the Program Obligations are funded to the receipt date of (a) 50 days for each GNMA I Certificate and each Gold FHLMC PC held in the Program Obligation Fund, (b) 60 days for each GNMA II Certificate held in the Program Obligation Fund, (c) 60 days for each FNMA MBS held in the Program Obligation Fund, (d) 90 days for each Mortgage Loan which has not been converted to a Mortgage Certificate held in the Program Obligation Fund, and (e) with respect to other mortgage instruments as described in the definition of "Program Obligations," the payment date set forth in the applicable Authorizing Indenture; (2) payment when due of applicable servicing and guarantee fees to GNMA, FNMA, and FHLMC; (3) use of money in the Program Obligation Fund prior to the completion of acquisition of Program Obligations to acquire Mortgage Loans that have not been converted to Mortgage Certificates; and (4) use of the money described in clause (3) hereof in the manner described in clause (3) hereof either on the last day of the acquisition period (if application of such money to such purpose prior to such last day would result in the receipt of funds during such period in excess of the amount required to provide timely payment of the principal of and interest on the Bonds during such period) or, otherwise, on the date of calculation.

"Mortgage Principal" means all payments (including prepayments) of principal called for by any Program Obligation and paid to the Corporation from any source, including both timely and delinquent payments.

"Outstanding," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

(1) any Bonds canceled by the Trustee at or prior to such date;

(2) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

(3) Bonds deemed to have been paid as described under "Summary of Certain Provisions of the Indenture—Defeasance."

"Parity" means (i) for the purposes of withdrawing money from the Indenture, an Asset-to-Liability Ratio of at least 103% and (ii) for all other purposes an Asset-to-Liability Ratio of at least 100%, in each case from and after the date of calculation through the final maturity date of the Bonds.

"Pledged Revenues" means all payments (including prepayments) of principal of and interest on Program Obligations held under the Indenture (other than Program Obligations in the Special Reserve Fund) and paid to the Corporation from any source including both timely and delinquent payments with late charges, fees and charges and all other revenues and income paid to the Corporation on account of or in connection with any such Program Obligation and, upon receipt thereof by the Corporation, all interest earned or gain realized upon the investment or deposit of amounts in any Fund or Account, but shall not include (i) any amount retained by any Servicer of any Program Obligation (other than the Corporation) as compensation for services rendered, (ii) escrow payments and any payments of ground rents, taxes, assessments or mortgage, fire or other hazard insurance premiums called for by any Program Obligation or any like payments, (iii) all payments on any amounts in the Special Reserve Fund or (iv) interest earned or gains realized on investments which the Indenture requires to be retained in a particular Fund or Account.

"Principal" means (a) as such term references the principal amount of a Deferred Interest Bond, the Appreciated Amount thereof, and (b) as such term references the principal amount of any other Bond, the principal amount at maturity of such Bond.

"Program" means, with respect to any Series, the part of the program of the Corporation relating to the Bonds of such Series.

"Program Expenses" means all the Corporation's expenses in carrying out and administering a Program and shall include, without limiting the generality of the foregoing, salaries; supplies; utilities; mailing; labor; materials; office rent; maintenance; furnishings; equipment; machinery and apparatus; insurance premiums; legal, accounting, management, consulting and banking services expenses; bond insurance premiums; the fees and expenses of the Trustee and Depositories, including counsel thereto; and payments for pension, retirement, health and hospitalization and life and disability insurance benefits, all to the extent properly allocable to such Program.

"Program Obligations" means, except as otherwise provided in an Authorizing Indenture, such of the following as fit the criteria set forth in the Tax Certificate in order that interest on the Bonds be excluded from gross income for Federal income tax purposes: (i) Mortgage Loans and Mortgage Certificates and (ii) if the Rating Agencies shall have previously informed the Corporation and the Trustee in writing that there would be no adverse effect on the credit ratings then currently assigned by them to the Bonds without regard to any bond insurance or any other form of credit enhancement, other mortgage instruments deposited in the Program Obligation Fund or identified or described by the Corporation either in the Authorizing Indenture for a Series of Bonds, a Bond Coverage Certificate or otherwise in writing to the Trustee; in the case of Bonds the interest on which is intended not to be excluded from gross income for Federal income tax purposes, "Program Obligations" means Mortgage Loans, Mortgage Certificates, or other mortgage instruments described in (i) or (ii) of this definition selected by the Corporation.

"Rating Agencies" means Moody's, S&P and Fitch.

"Rating Quality" means having terms, conditions and/or a credit quality such that the item stated to be of "Rating Quality" will not adversely affect the then-current ratings assigned by the Rating Agencies to the Bonds without regard to any bond insurance or any other form of credit enhancement.

"Restricted Mortgage Principal" means Mortgage Principal that is required by the Code (in the amounts specified in the Authorizing Indenture for a Series or the corresponding Tax Certificate) to be used to redeem or retire Bonds of a Series.

"Streamlined Mortgage Loan" means a Mortgage Loan of the Corporation modified to require lower mortgage payments pursuant to action of the Corporation.

"Supplemental Mortgage Coverage" means the coverage, if any, of loss from Mortgage Loan defaults provided in an Authorizing Indenture which supplements any primary mortgage insurance.

"Tax Certificate" means the certificate, if any, relating to the criteria for tax-exemption of interest on the Bonds delivered by the Corporation at the delivery of a Series of Bonds (other than Bonds the interest on which is intended not to be excluded from gross income for Federal income tax purposes).

"Unrestricted Mortgage Principal" means all Mortgage Principal other than Restricted Mortgage Principal.

**Indenture to Constitute a Contract (Section 203)**

In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of the Indenture shall be a part of the contract of the Corporation with the holders of Bonds and shall be deemed to be and shall constitute a contract between the Corporation, the Trustee and the holders from time to time of the Bonds. The pledge effected by the Indenture and the provisions, covenants and agreements set forth in the Indenture to be performed by or on behalf of the Corporation shall be for the equal benefit, protection and security of the holders of any and all of such Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Indenture.

**Issuance of Additional Bonds (Sections 206 and 207)**

The Indenture authorizes additional Bonds (including refunding Bonds) of a Series to be issued from time to time, subject to the terms, conditions and limitations set forth therein. The Bonds of a Series are to be executed by the Corporation and delivered to the Trustee for authentication and delivery only upon receipt by the Trustee of:

(i) a Counsel's Opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the Indenture;

(ii) a copy of the Authorizing Indenture;

(iii) the amount of the proceeds of such Series and amounts from other sources to be deposited in any Fund or Account held by the Trustee pursuant to the Indenture;

(iv) a certificate of an authorized officer stating that the Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture;

(v) a Bond Coverage Certificate;

(vi) a certificate of an authorized officer of the Corporation that the then-current ratings of the Outstanding Bonds, without regard to any bond insurance or any other form of credit enhancement, will not be reduced by the issuance of the additional Bonds; and

(vii) such further requirements as set forth in the Indenture and any Supplemental Indenture.

One or more Series of refunding Bonds may be issued pursuant to the Indenture to refund any Outstanding Bonds. Refunding Bonds may be issued only upon receipt by the Trustee of irrevocable instructions to the Trustee to give any required notices with respect to the refunded Bonds, and upon receipt by the Trustee of either (i) moneys sufficient to effect payment of the Bonds to be refunded, or (ii) direct obligations of, or obligations insured or guaranteed by, the United States of America or agencies or instrumentalities thereof which will provide moneys sufficient to provide for such payment.

**Funds and Accounts (Section 501)**

The Indenture establishes and creates the following trust funds and accounts:

- Program Obligation Fund
- Revenue Fund
  - Bond Interest Account
  - Debt Service Reserve Account
  - Restricted Mortgage Principal Account
  - Unrestricted Mortgage Principal Account
  - Operating Account
- Bond Principal Fund
  - Scheduled Principal Account
  - Redemption Account
- Rebate Fund
- Special Reserve Fund

The Trustee will establish, if so directed in writing by the Corporation, for each Series separate Series Accounts in the Revenue Fund, the Bond Principal Fund, the Program Obligation Fund and the Rebate Fund and separate Series Subaccounts in the Bond Interest Account, the Restricted Mortgage Principal Account, the Unrestricted Mortgage Principal Account, the Scheduled Principal Account, the Operating Account and the Redemption Account; provided that if only one Series of Bonds is Outstanding no such Series Accounts or Series Subaccounts need be established.

**Program Obligation Fund (Section 502)**

All Pledged Revenues relating to Program Obligations (including prepayments) and other investments in a Series Account of the Program Obligation Fund will be transferred to the applicable Series Account, Restricted Mortgage Principal Series Subaccount or Unrestricted Mortgage Principal Series Subaccount of the Revenue Fund.

The Trustee will disburse amounts held in each Series Account in the Program Obligation Fund (i) to acquire Program Obligations for such Series Account, (ii) to purchase Investment Securities, (iii) to transfer to the Bond Interest Account or the Scheduled Principal Account either as directed by the most recently delivered Bond Coverage Certificate or at the direction of the Corporation to the extent necessary to prevent a default in the payment of principal of or interest on the Bonds or (iv) on or after the dates specified in the applicable Authorizing Indenture any remaining moneys as provided in such Authorizing Indenture to the redemption of the related Series of Bonds.

The Trustee will disburse funds in the Program Obligation Fund to acquire Program Obligations only if the conditions of the Indenture are met, including that (i) the Corporation certifies that no Event of Default under the Indenture exists or will exist after giving effect to such disbursement, (ii) the Corporation gives irrevocable instructions to register the Mortgage Certificates in the name of the Trustee and assigns to the Trustee all of the Corporation's rights, title and interest in the Mortgage Loans, and (iii) with respect to a proposed delivery of Mortgage Loans, the Corporation certifies compliance with any requirement with respect to Supplemental Mortgage Coverage and the Debt Service Reserve Requirement in accordance with the Indenture and the applicable Authorizing Indenture.

**Revenue Fund (Section 503)**

Promptly upon receipt of any Pledged Revenues, the Trustee will deposit such Pledged Revenues in the applicable Series Account of the Revenue Fund, except that (i) Restricted Mortgage Principal shall be deposited in the applicable Series Subaccount of the Restricted Mortgage Principal Account and (ii) Unrestricted Mortgage Principal shall be deposited in the applicable Series Subaccount of the Unrestricted Mortgage Principal Account. The Trustee will apply such Pledged Revenues, together with any funds transferred to the Revenue Fund pursuant to the Indenture, as follows:

(1) From each Series Subaccount of the Restricted Mortgage Principal Account:

*First,* the Trustee shall transfer to the corresponding Series Subaccount of the Scheduled Principal Account the amount needed to pay principal (including any Sinking Fund Installments) coming due on the Bonds of the related Series on or before the next Debt Service Payment Date and shall apply such amount to such purpose on such Debt Service Payment Date; and

*Second,* after satisfying the foregoing, the Trustee shall transfer to the corresponding Series Subaccount of the Redemption Account any amount then remaining in such Series Subaccount of the Restricted Mortgage Principal Account to be used to redeem Bonds of the related Series and shall apply such amount to such purpose on the earliest practicable redemption date.

(2) After the applications described under (1) above, from each Series Subaccount of the Unrestricted Mortgage Principal Account:

*First,* the Trustee shall transfer to the corresponding Series Subaccount of the Scheduled Principal Account the amount required, together with other amounts on deposit therein, to pay principal (including any Sinking Fund Installments) coming due on Bonds of the related Series (and, after so providing for the payment of principal of such related Series, to pay principal (including any Sinking Fund Installments) coming due on Bonds of other Series to the extent that amounts under the Indenture would be otherwise insufficient therefor absent a transfer of funds from the Debt Service Reserve Account or the Special Reserve Fund) on or before the next Debt Service Payment Date and shall apply such amounts to such purpose on such Debt Service Payment Date; and

*Second,* after satisfying the foregoing, either (i) the Trustee shall transfer to the corresponding Series Subaccount of the Redemption Account any amount then remaining in such Series Subaccount of the Unrestricted Mortgage Principal Account to be used to redeem Bonds of the related Series and shall apply such amount to such purpose on the redemption date specified by the Corporation or indicated in the Authorizing Indenture for such Series or (ii) if the most recent Bond Coverage Certificate filed with the Trustee so indicates, then the Trustee may, at the direction of the Corporation, (a) transfer the amount indicated in such Bond Coverage Certificate to any Series Subaccount of the Redemption Account indicated therein and shall apply such amounts so transferred to such purpose on the date or dates specified by the Corporation or indicated in the Authorizing Indenture for such Series or (b) transfer the amount indicated in such Bond Coverage Certificate to the Series Account of the Program Obligation Fund that corresponds to such Series Subaccount of the Unrestricted Mortgage Principal Account to purchase Program Obligations and shall apply such amounts so transferred to such purpose.

(3) From each Series Account of the Revenue Fund:

*First,* the Trustee shall transfer to the applicable Series Account of the Rebate Fund the amount so directed in writing by the Corporation but only as necessary to comply with the documents referred to in the Indenture and shall apply such amounts to such purpose;

*Second,* the Trustee shall transfer to the applicable Series Subaccount of the Bond Interest Account of the Revenue Fund the amount required, together with other amounts on deposit therein, to pay interest coming due on Bonds of the related Series (and, after so providing for the payment of interest on such related Series, to pay interest coming due on Bonds of other Series to the extent that amounts under the Indenture would be otherwise insufficient therefor absent a transfer of funds from the Debt Service Reserve Account or the Special Reserve Fund) on the next interest payment date, and shall apply such amounts to such purpose on such interest payment date;

*Third,* the Trustee shall transfer to the corresponding Series Subaccount of the Scheduled Principal Account the amount required, together with other amounts on deposit therein, to pay principal (including any Sinking Fund Installments) coming due on Bonds of the related Series (and, after so providing for the payment of principal of such related Series, to pay principal (including any Sinking Fund Installments) coming due on Bonds of other Series to the extent that amounts under the Indenture would be otherwise insufficient therefor absent a transfer of funds from the Debt Service Reserve

Account or the Special Reserve Fund) on or before the next Debt Service Payment Date and shall apply such amounts to such purpose on such Debt Service Payment Date;

*Fourth,* the Trustee shall transfer to the Debt Service Reserve Account the amount required, if any, to increase the balance to the Debt Service Reserve Requirement;

*Fifth,* the Trustee shall transfer to the Operating Account the amount required, together with other amounts on deposit therein, to pay or reimburse the Corporation for the payment of Program Expenses allocable to the then current semiannual interest period for the Bonds, but in no event may such transfers in any semiannual interest period exceed the aggregate of the amounts set forth therefor in the applicable Authorizing Indentures. The Trustee shall pay the amounts in the Operating Account to or upon the order of the Corporation from time to time upon requisition by the Corporation indicating the nature of the Program Expenses to be paid or reimbursed. The Corporation shall calculate the exact amounts to be paid; and

*Sixth,* after satisfying the foregoing, either (i) the Trustee shall transfer to the corresponding Series Subaccount of the Redemption Account any amount then remaining in such Series Account of the Revenue Fund to be used to redeem Bonds of the related Series and shall apply such amount to such purpose on the redemption date specified by the Corporation or indicated in the Authorizing Indenture for such Series or (ii) if the most recent Bond Coverage Certificate filed with the Trustee so indicates, then the Trustee may, at the direction of the Corporation, (a) transfer the amount indicated in such Bond Coverage Certificate to any Series Subaccount of the Redemption Account indicated therein to redeem Bonds of the related Series and shall apply such amounts so transferred to such purpose on the date or dates specified by the Corporation or indicated in the Authorizing Indenture for such Series, (b) transfer the amount indicated in such Bond Coverage Certificate to the Series Account of the Program Obligation Fund that corresponds to such Series Account of the Revenue Fund to purchase Program Obligations and shall apply such amounts so transferred to such purpose or (c) withdraw the amount indicated in such Bond Coverage Certificate and pay over such amount to the Corporation free and clear of the lien of the Indenture.

If, at noon, Alaska time, on the third Business Day prior to any Debt Service Payment Date, the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Bond Interest Account, the Scheduled Principal Account and the Redemption Account shall be less than the amount required to pay interest, principal or Sinking Fund Installments due on the Bonds on such Debt Service Payment Date, any deficiency in each such Account shall be immediately satisfied with a transfer from the Debt Service Reserve Account to the applicable Account or, if insufficient, by a deposit to the applicable Account of any other funds of the Corporation available therefor, including amounts available in the Special Reserve Fund.

Any amounts remaining in the Debt Service Reserve Account on and after the fifth day following a Debt Service Payment Date in excess of the Debt Service Reserve Requirement shall be transferred by the Trustee, at the direction of the Corporation, to the Account or Accounts of the Revenue Fund for the related Series of Bonds.

If, at any time, the amount in the Debt Service Reserve Account is less than the Debt Service Reserve Requirement, the Trustee shall immediately notify the Corporation of such event, and the Corporation shall immediately transfer to the Debt Service Reserve Account from any assets of the Corporation available for such purpose the amount necessary to increase the amount in the Debt Service Reserve Account to the Debt Service Reserve Requirement.

**Rebate Fund (Section 505)**

The Trustee will establish and create a Rebate Fund (and a separate Series Account therein for each Series of Bonds), if necessary, pursuant to the terms and conditions of any Tax Certificate or any instructions or memorandum attached thereto or a Counsel's Opinion. Neither the Rebate Fund nor any accounts thereof nor any amounts held therein shall be subject to the lien or pledge of the Indenture.

**Special Reserve Fund (Section 506)**

If, at noon, Alaska time, on the third Business Day preceding any Debt Service Payment Date, the amount on deposit, or to be deposited on such Debt Service Payment Date, in the Bond Interest Account, the Scheduled Principal Account and the Redemption Account shall be less than the amount required to pay any Debt Service Payment on the Bonds on such Debt Service Payment Date, any such deficiency in each such Account shall be immediately satisfied with a transfer from the Debt Service Reserve Account to the applicable account or, to the extent insufficient, by a transfer to the applicable account of any other funds of the Corporation available therefor, including amounts available in the Special Reserve Fund. The Trustee and the Corporation shall make deposits into, and withdrawals and disbursements from the Special Reserve Fund in accordance with the provisions of the Indenture and the Authorizing Indenture.

The Corporation may also, at any time, withdraw Mortgage Loans, Mortgage Certificates, Investment Securities or cash from the Special Reserve Fund in an amount equal to the amount of losses with respect to defaulted Mortgage Loans held in the Program Obligation Fund to the extent such losses are not covered by any mortgage insurance or guarantee and are not recovered upon foreclosure or sale in lieu of foreclosure. The Corporation shall transfer all such withdrawn Mortgage Loans, Mortgage Certificates, Investment Securities or cash to the applicable Series Subaccount of the Redemption Account of the Bond Principal Fund to be used to redeem Bonds of the applicable Series at the earliest practicable redemption date.

**Investments (Sections 512 and 514)**

All amounts held under the Indenture by the Trustee are required to be continuously and fully invested for the benefit of the Corporation and the owners of the Bonds in accordance with the Indenture. All amounts deposited with the Trustee are required to be credited to the particular funds and accounts established under the Indenture.

The Corporation is required to furnish the Trustee with written investment instructions. In the absence of such instructions, the Trustee is required to invest in those Investment Securities described in clause (10) of the definition of Investment Securities so that the moneys in said Funds and Accounts will mature as nearly as practicable with times at which moneys are needed for payment of principal or interest on the Bonds. Except as otherwise provided in the

Indenture, the income or interest earned and gains realized in excess of losses suffered by a Fund, other than the Special Reserve Fund or the Rebate Fund, due to the investment thereof will be deposited as Pledged Revenues in the Revenue Fund. The Trustee is required to advise the Corporation on a monthly basis of the details of all deposits and Investment Securities held for the credit of each Fund in its custody under the provisions of the Indenture as of the end of the preceding month. The Trustee may act as principal or agent in the acquisition or disposition of any Investment Securities. The Trustee may purchase Investment Securities from (i) any lawful seller, including itself or its affiliates, (ii) other funds of the Corporation, and (iii) other funds established by resolution, indenture or agreement of the Corporation (including resolutions providing for issuance of obligations); provided, however, that the Trustee is not permitted to purchase Investment Securities at an above-market price or a below-market yield. The Trustee may, at its sole discretion, commingle any of the Funds and Accounts established pursuant to the Indenture into a separate fund or funds for investment purposes only; provided, however, that all Funds and Accounts held by the Trustee under the Indenture shall be accounted for separately notwithstanding such commingling. The Corporation shall not direct the Trustee to purchase any Investment Securities (other than an Investment Agreement) maturing on a date later than the earlier of six months following the date of purchase or the next debt service payment date, with the exception of investments made in the Special Reserve Fund, unless the Corporation shall have delivered a Bond Coverage Certificate to the Trustee. In computing the amount in any Fund, obligations purchased as an investment of moneys therein shall be valued at par if purchased at their par value or at amortized value if purchased at other than their par value. The Trustee shall sell at market price, or present for redemption, any obligation so purchased as an investment whenever it shall be requested in writing by an authorized officer of the Corporation to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any fund held by it. The Trustee shall not be liable for any loss resulting from the acquisition or disposition of any Investment Securities, except for any such loss resulting from its own negligence or willful misconduct.

**Investment Agreements (Section 513)**

If the Corporation so directs the Trustee in writing, the Corporation and the Trustee shall execute and deliver, as of the date of delivery of a Series of Bonds, or at such other time determined by the Corporation, one or more Investment Agreements and the Trustee shall deposit on such date (i) amounts in the related Series Subaccount of the Debt Service Reserve Account under an Investment Agreement providing for investment of such amounts and permitting withdrawals on or before applicable Debt Service Payment Dates and (ii) amounts in the related Series Account of the Program Obligation Fund and amounts in the related Series Subaccount of the Bond Interest Account under an Investment Agreement providing for investment of such amounts and permitting withdrawals as necessary under the terms of the Indenture and the Authorizing Indenture. After the date of issuance and delivery of the Bonds, moneys deposited from time to time in the Revenue Fund (other than moneys deposited in the Debt Service Reserve Account), the Bond Principal Fund and the Program Obligation Fund and available for temporary investment shall be deposited by the Trustee under an Investment Agreement providing for investment of such amounts and permitting withdrawals as necessary under the terms of the Indenture and the Authorizing Indenture. If the Trustee does not receive a payment under an Investment Agreement when due, the Trustee shall immediately notify the provider of the Investment Agreement, any guarantor thereof and the Corporation of such nonpayment and shall make demand for immediate payment of the amount due.

**Limitation on Additional Collateral Contributions (Section 515)**

The Corporation may not make any deposit to any Fund under the Indenture other than (i) deposits of proceeds of Bonds issued under the Indenture and amounts from other sources in connection with such issuance as provided in the applicable Authorizing Indenture, (ii) deposits of Pledged Revenues received, (iii) deposits to the Debt Service Reserve Account and (iv) deposits to the Special Reserve Fund to meet the Special Reserve Requirement or transfers from the Special Reserve Fund as provided in the Indenture and an Authorizing Indenture.

**Bond Coverage Certificates (Section 516)**

In addition to any other required filings with the Trustee of Bond Coverage Certificates under the Indenture, the Corporation shall prepare and file with the Trustee on or before October 1, 1997, and on or before October 1 of every alternate year thereafter, a Bond Coverage Certificate. If any material changes occur that would affect the most recently filed Bond Coverage Certificate, the Corporation shall prepare and file a Bond Coverage Certificate reflecting such changes.

**Payment of Bonds (Section 701)**

The Corporation covenants to duly and punctually pay or cause to be paid the principal or redemption price, if any, of and the interest on every Bond at the dates and places and in the manner stated in the Bonds and in the Indenture according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all sinking fund installments becoming payable with respect to the Bonds.

**Power to Issue Bonds and Pledge Revenues and Other Property (Section 705)**

The Corporation is duly authorized by law to enter into, execute and deliver the Indenture. The Bonds and the provisions of the Indenture are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms. The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Program Obligations, Pledged Revenues and other assets, including rights therein, pledged under the Indenture and all the rights of the owners of the Bonds under the Indenture against all claims and demands of all persons whomsoever.

**Tax Covenants (Section 706)**

The Corporation covenants to:

(i) not knowingly take or cause any action to be taken which would cause the interest on the Bonds to become taxable for Federal income tax purposes;

(ii) at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of Federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation; and

(iii) not permit at any time or times any proceeds of any Bonds, Pledged Revenues or any other funds or property of the Corporation to be used, directly or indirectly, in a manner which would result in the exclusion of any Bond from the treatment afforded by subsection (a) of Section 103 of the Code, as from time to time amended.

The covenants described in clauses (i), (ii) and (iii) of this definition shall not apply to any Series of Bonds the interest on which is intended by the Corporation not to be excluded from gross income for Federal income tax purposes under Section 103 of the Code, provided, that no such Series of Bonds shall be issued unless a Counsel's Opinion is filed with the Trustee stating that the issuance of such Series will not adversely affect the exclusion from gross income for Federal income tax purposes of the interest on any previously issued Bond.

**Accounts and Reports (Section 707)**

The Corporation covenants that it will keep, or cause to be kept, proper books and records in which complete and accurate entries shall be made of all its transactions relating to the program for which the Bonds are issued and any fund or account established under the Indenture and any Supplemental Indenture thereto. Such books and records shall at all reasonable times be subject to the inspection by the Trustee and the owners or Beneficial Owners of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

The Corporation also covenants to file with the Trustee within 120 days of the close of its fiscal year, financial statements of the Corporation for such year, setting forth in reasonable detail (a) a statement of revenues and expenses in accordance with the categories or classifications established by the Corporation for its program purposes; (b) a balance sheet of the program showing its assets and liabilities at the end of such fiscal year; and (c) a statement of cash flows for the program for such fiscal year. The financial statements will be accompanied by an accountant's certificate to the effect that the financial statements present fairly the Corporation's financial position at the end of the fiscal year and the results of its operations and cash flows for the period examined, in conformity with generally accepted accounting principles. The Trustee has no responsibility to review such financial statements.

**Sale of Program Obligations (Section 709)**

Neither the Corporation nor the Trustee is permitted to sell or assign Program Obligations held in the Program Obligation Fund in order to redeem Bonds, except that Program Obligations may be sold or assigned (i) to realize the benefits of any mortgage or hazard insurance with respect to a Mortgage Loan or for the purpose of complying with any Federal tax requirement; (ii) if the Bonds of any Series have been declared due and payable; or (iii) in connection with the optional redemption of the Bonds of a Series of the type described under "The Subject Bonds — Redemption — Optional Redemption" or a special redemption of the Bonds of a Series when the principal amount of such Series of Bonds is 15% or less of the initial principal amount thereof (or as otherwise provided in an Authorizing Indenture); provided that in the case of either type of redemption, only the Program Obligations in the related Series Account of the Program Obligation Fund may be sold or assigned.

**Supplemental Indentures (Sections 801, 802 and 803)**

*Supplemental Indentures Effective Upon Filing With Trustee.* The Corporation may file with the Trustee one or more supplemental indentures (each a "Supplemental Indenture") from time to time, without the consent of the Trustee and any owner of Bonds, in order to:

(i) provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on the issuance of evidences of indebtedness,

(ii) add to the covenants, agreements, limitations and restrictions to be observed by the Corporation in the Indenture other covenants, agreements, limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with the Indenture,

(iii) authorize a Series of additional Bonds and in connection therewith, specify and determine the matters and things referred to in the Indenture, and also any matters and things relative to such Series of additional Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Series of Bonds,

(iv) surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Indenture, but only if the surrender of such right, power or privilege (1) is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Indenture or (2) does not materially adversely affect any owner of Bonds,

(v) confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, or

(vi) modify any of the provisions of the Indenture in any respect whatsoever, provided that (1) such modification does not materially adversely affect any owner of Bonds or (2) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of adoption of such Supplemental Indenture shall cease to be Outstanding.

*Supplemental Indentures Effective Upon Consent of Trustee.* For any one or more of the following purposes and at any time or from time to time, the Corporation and the Trustee may enter into a Supplemental Indenture which, upon a finding recited therein by the Corporation and the Trustee (which may be based in reliance upon a Counsel's Opinion) that there is no material adverse effect on the owners of any Bonds, shall be fully effective in accordance with its terms:

(i) cure any ambiguity, supply any omission, cure or correct any defect or inconsistent portion in the Indenture,

(ii) insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect, or

(iii) provide for additional duties of the Trustee.

*Supplemental Indentures Effective Upon Consent of Owners of Bonds.* Any modification or amendment of any provision of the Indenture or of the rights and obligations of the Corporation and of the owners of any Bonds may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture of the Insurer and the owners of at least two-thirds in principal amount of the Outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest rate thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the owner of such Bond.

Notwithstanding the foregoing, the Corporation may not amend, supplement, or modify the Indenture in any material respect without the prior written consent of the GSEs. The determination of the GSEs as to materiality shall be controlling.

**Events of Default (Section 1002)**

Each of the following events is an “Event of Default” under the Indenture:

(a) the Corporation defaults in the payment of the principal or redemption price of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

(b) payment of any installment of interest on any Bond has not been made after the same shall become due; and

(c) the Corporation fails to comply with the provisions of the Indenture or any Supplemental Indenture or shall default in the performance or observance of any of the covenants, agreements or conditions contained therein, other than payment of the Trustee’s fees, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the owners of not less than 25% in principal amount of the Outstanding Bonds.

**Remedies (Section 1003)**

Upon the happening and continuance of any Event of Default specified in clauses (a) and (b) above, the Trustee is required to proceed, or upon the happening and continuance of any Event of Default specified in clause (c) above, the Trustee may proceed, and upon the written request of the owners of not less than 25% in principal amount of all Bonds Outstanding (but subject to the right of a holder of a majority in principal amount of the Bonds then Outstanding as described under “Bondholders’ Direction of Proceedings” by timely written notice to the Trustee to overrule such owners) is required to proceed, in its own name, subject to the terms of the Indenture, to protect and enforce its rights and the rights of the owners of all Bonds, by such of the following remedies as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of said owners, including the right to require the Corporation to receive and collect revenues and assets adequate to carry out the covenants and agreements as to, and pledge of, such revenues and assets, and to require the Corporation to carry out any other covenant or agreement with holders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the owners of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; (e) by declaring all Bonds immediately due and payable, and in the event the Bonds are declared due and payable by selling Program Obligations for the benefit of the owners of the Bonds; or (f) if thereafter all defaults shall be made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, the Trustee shall annul such declaration and its consequences.

**Priority of Payments after Default (Section 1004)**

In the event that upon the happening and continuance of any Event of Default, the funds held by the Trustee are insufficient for the payment of principal or redemption price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee, acting pursuant to the Act and the Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the owners of the Bonds and for the payment of fees, charges and expenses and liabilities incurred by the Trustee, including those of its attorneys, in the performance of its duties under the Indenture, shall be applied as follows unless the principal of all the Bonds is declared due and payable:

*First,* to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

*Second,* to the payment to the persons entitled thereto of the unpaid principal or redemption price of the Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or redemption price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

Consistent with the foregoing, if the principal of Bonds is declared due and payable, available moneys will be applied to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over any other installment of interest, or of any Bond over any other Bond, ratably among all Bonds, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the above-described provisions, such moneys are required to be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion determines, and the Trustee will incur no liability whatsoever to the Corporation, to any owner of Bonds or to any other person (including any Beneficial Owners) for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee.

**Bondholders' Direction of Proceedings (Section 1006)**

Anything in the Indenture to the contrary notwithstanding, the holders of a majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture and provided such holders of Bonds pay or otherwise make provision for payment, satisfactory to the Trustee, of the Trustee's fees and expenses, including attorneys' fees, and indemnify the Trustee to its satisfaction against potential liability.

**Limitation on Rights of Bondholders (Section 1007)**

No holder of any Bond has any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture, or for the protection or enforcement of any right under the Indenture or any right under the law, unless such holder has given to the Trustee written notice of the Event of Default or breach of duty on account of which suit, action or proceeding is to be taken, unless the holders of not less than 25% in principal amount of the Bonds then Outstanding have made written request upon the Trustee after the right to exercise such powers or right of action, as the case may be, has occurred, and have afforded the Trustee sixty days either to proceed to exercise the power granted by the Indenture or granted under the law or to institute such action, suit or proceeding, in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within sixty days; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Indenture or for any other remedy under the Indenture or under law. No one or more holder of the Bonds shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under law with respect to the Bonds or the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit of all holders of Outstanding Bonds. Nothing contained in the Indenture shall affect or impair the right of any holder to enforce the payment of the principal or redemption price, if any, of and interest on the Bonds, or the obligation of the Corporation to pay the principal or redemption price, if any, of and interest on each Bond issued under the Indenture to the holder thereof at the time and place specified in said Bond.

Notwithstanding anything to the contrary contained in the Indenture, each holder of any Bond by his acceptance thereof will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses may by such party litigant; but the provisions described in this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any holder of Bonds, or group of holders of Bonds, holding at least 25% in principal amount of the Bonds then Outstanding, or to any suit instituted by any holder for the enforcement of the payment of the principal or redemption price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

**Trustee (Sections 1104, 1107 and 1108)**

Except during the existence of an Event of Default, the Corporation may remove the Trustee at any time for such cause as shall be determined in the sole discretion of the Corporation. The removal of the Trustee will not take effect until its successor has accepted its appointment. The GSEs, when they are owners of the 2009 Series A Bonds, must consent in writing to the appointment of the successor Trustee. Any successor to the Trustee is required to be a trust company, savings bank or commercial bank having capital and surplus aggregating at least $50,000,000.

Notwithstanding the foregoing, no successor Trustee shall be appointed without the prior written consent of the GSEs.

The Corporation is required to pay to the Trustee from time to time, from available moneys in the Operating Account, reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in the performance of their powers and duties under the Indenture, and the Trustee shall have a first lien upon Pledged Revenues to secure the payment of all sums due the Trustee.

**Defeasance (Section 1201)**

If the Corporation shall pay or cause to be paid to the holders of the Bonds the principal and interest and redemption price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any revenues and assets thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All

Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation has given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption of such Bonds and (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or direct obligations of or obligations guaranteed by the United States of America the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or redemption price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. In connection with any such deposit relating to Bonds the interest on which is excludable from gross income for Federal income tax purposes, there must also be delivered to the Trustee an opinion of counsel that the deposit of moneys does not adversely affect the exclusion of interest on any Bond from gross income for Federal income tax purposes. Neither the obligations nor the moneys so deposited with the Trustee nor principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds, but any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

**Legal Holidays (Section 1206)**

In any case where the scheduled date of payment of the principal or Redemption Price of or interest on the Bonds is not a Business Day, such payment may be made on the next succeeding Business Day with the same force and effect as if made on such scheduled date, and if so made no interest shall accrue for the period after such scheduled date.

**Governing Law (Section 1207)**

The Indenture shall be governed by and construed in accordance with the laws of the State.

**GSEs as Third-Party Beneficiaries**

To the fullest extent permitted by the General Indenture, each GSE is intended to be and shall be a third-party beneficiary of the Indenture and shall have the right (but not the obligation) to enforce, separately or jointly with the Trustee or cause the Trustee to enforce, provisions of the 2009 Series A Supplemental Indenture.

# TAX MATTERS

## Program Bonds and 2011 Series B Bonds

### *General*

The Program Bonds (subsequent to the Release Date) and the 2011 Series B Bonds are treated as a single bond issue under the various provisions of the Code and thus are collectively, and not severally, subject to the requirements of applicable tax laws, including the requirements of Sections 143 and 148 of the Code.

In the opinions of Bond Counsel and Special Tax Counsel, to be delivered on the date of issuance of the 2011 Series B Bonds and the Release Date of the Program Bonds, assuming compliance with certain covenants which are designed to meet the requirements of the Code, under existing laws, regulations, rulings and judicial decisions, (i) interest on the 2011 Series B Bonds and the Program Bonds (collectively, the "Tax-Exempt Bonds") is excluded from gross income for Federal income tax purposes; (ii) interest on the Program Bonds is not a specific preference item or included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax; and (iii) interest on the 2011 Series B Bonds is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code; *however,* interest on the 2011 Series B Bonds is included in the adjusted current earnings (*i.e.,* alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The requirements of applicable Federal tax law must be satisfied with respect to each of the Program Bonds and the 2011 Series B in order that interest on each Series of the Tax-Exempt Bonds not be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof. The Code provides that interest on obligations of a governmental unit such as the Corporation issued to finance, or to refund bonds issued to finance, single family residences for first time homebuyers (such as the Program Bonds) is not included in gross income for Federal income tax purposes only if certain requirements are met with respect to the terms, amount and purpose of the obligations and the use of the funds generated by the issuance of the obligations, the nature of the residences and the mortgages, and the eligibility of the borrowers executing the mortgages. Such requirements generally do not apply to the mortgage loans financed by the 2011 Series B Bonds as a result of transition rules in various federal tax laws adopted since 1980.

### *Loan Eligibility Requirements Imposed by the Code*

The Code contains the following loan eligibility requirements that are applicable to Mortgage Loans financed with proceeds attributable to the Program Bonds in order that interest on the Program Bonds not be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof.

*Residence Requirement*

The Code requires that each of the premises financed with proceeds of qualified mortgage bonds be a one-to-four-family residence, one unit of which can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after the financing is provided. In the case of a two-to-four-family residence (other than two-family residences in targeted areas having borrowers whose family income does not exceed 140% of applicable family median income), the residence must have been occupied as a residence at least five years before the mortgage is executed. Certain documents adopted by the Corporation that establish procedures to be followed in connection with the financing of Mortgage Loans with amounts attributable to the Program Bonds in order to assure that interest paid on the Program Bonds not be included in gross income for Federal income tax purposes under the Code (the "Program Documents") require each mortgagor to submit an affidavit stating such person's intention to occupy the premises as his principal residence within 60 days after closing of the Mortgage Loan. In the case of a two-to-four-family residence (other than two-family residences in targeted areas having borrowers whose family income does not exceed 140% of applicable family median income), the mortgagor is required by the Program Documents to certify that the residence was first occupied as a residence at least five years before the Mortgage Loan was executed.

*First-Time Homebuyer Requirement*

The Code requires that, subject to certain exceptions, the lendable proceeds of qualified mortgage bonds be used to provide financing to mortgagors who have not had a present ownership interest in their principal residence (other than the residence being financed) during the three-year period prior to execution of the mortgage loan. Mortgagors subject to this requirement must so certify when applying to a Mortgage Lender for a Mortgage Loan, and the Program Documents require that the Mortgage Lender make a reasonable investigation to verify such certification. Mortgagors subject to this requirement are required to provide Federal income tax returns for the previous three years or other appropriate certifications to allow the Mortgage Lender to verify that no deductions or other entries have been made that would indicate any such ownership interest.

*New Mortgage Requirement*

The Code requires that, with certain limited exceptions, the lendable proceeds of qualified mortgage bonds finance new mortgage loans only and that no proceeds may be used to acquire or replace an existing mortgage loan, which would include the refinancing of a pre-existing mortgage loan. The Corporation will verify compliance with the new mortgage requirement by requiring each mortgagor and the seller of the residence to certify, subject to such exceptions, that no refinancing of a prior mortgage loan is being effected.

*Purchase Price Limitation*

The Code requires that, with certain limited exceptions, the purchase price of the residence financed with the lendable proceeds of qualified mortgage bonds may not exceed 90%

of the average area purchase price applicable to such residence or 110% of the applicable average area purchase price in the case of residences located in targeted areas. The Corporation will verify compliance with the purchase price limitations by requiring each mortgagor and seller of a residence to make certifications regarding the purchase price of such residence.

*Income Limitation*

The Code requires that all mortgage loans made from the lendable proceeds of qualified mortgage bonds be made only to borrowers whose family income does not exceed 115% (for mortgage loans made to families with fewer than three members, 100%) of the applicable median family income. An exception is provided for mortgage loans financed with the lendable proceeds of qualified mortgage bonds made with respect to targeted area residences that permits two-thirds in aggregate amount of such mortgage loans to be made with respect to borrowers whose family income does not exceed 140% (for mortgage loans made to families with fewer than three members, 120%) of the applicable median family income and one-third in aggregate amount of such loans to be made without regard to any income limitation.

Applicable Federal tax law permits higher income limits for persons financing homes located in certain "high housing cost areas." A high housing cost area is a statistical area for which the ratios of the area's average purchase price for existing and new single family houses to the area's median income exceed 120% of the same ratios determined on a national basis. These ratios are determined separately with respect to new and existing single family residences. An area is a high housing cost area only if the ratios for both new and existing houses meet the 120% test. In high housing cost areas, the mortgagor income limits are increased above 115% (or 100%, as applicable) by one percent for each percentage point (1%) by which the new or existing housing price ratio, whichever is smaller, exceeds 120%. *However,* the new limit cannot exceed 140% (or 120%, as applicable) of the income limits otherwise applicable.

The Corporation will verify compliance with the requirements described under this caption "Tax Matters — Loan Eligibility Requirements Imposed by the Code — Income Limitation" by requiring each borrower to certify the amount of family income. Family income includes income of all individuals executing both the note and mortgage and occupying the dwelling as their principal residence.

*Requirements as to Assumptions*

The Code provides that a mortgage loan may be assumed only if each of the then applicable residence requirement, first-time homebuyer requirement, purchase price limitation, and income limitation is met with respect to such assumption. The Mortgage Loans will contain a "due on sale" clause, and the Corporation will not permit the assumption of a Mortgage Loan unless (i) it has determined that these requirements have been met and has obtained the appropriate certifications or (ii) it purchases the Mortgage Loan out from the lien of the Indenture and finances it from other sources.

*General*

An issue of bonds is treated as meeting the loan eligibility requirements of the Code if (i) the issuer in good faith attempted to meet all the loan eligibility requirements before the mortgage loans were executed, (ii) any failure to comply with the loan eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the proceeds of the issue used to make mortgage loans was used to finance residences that met all such requirements at the time the mortgage loans were executed. In determining whether 95% or more of the proceeds has been so used, the Code permits the Corporation to rely on an affidavit of the mortgagor and of the seller and an examination of copies of the mortgagor's Federal income tax returns for the last three years preceding the date the Mortgage Loan is executed even though the relevant information in such affidavits and income tax returns should ultimately prove to be untrue, unless the Corporation or the Mortgage Lender knows or has reason to believe that such information is false.

***Other Requirements Imposed by the Code***

*General*

The Code provides that gross income for Federal income tax purposes does not include interest on a mortgage revenue bond if it is a qualified mortgage bond. A qualified mortgage bond is a part of an issue of a state or political subdivision all the proceeds of which (net of amounts applied to any costs of issuance thereof and to fund a reasonably required reserve) are used to finance, or to refund bonds issued to finance, owner-occupied residences and that meets certain (i) general requirements, (ii) arbitrage restrictions on the use and investment of proceeds of the issue, and (iii) loan eligibility requirements set forth in the Code and as more fully described above under "Tax Matters — Loan Eligibility Requirements Imposed by the Code." Such requirements do not apply to the 2011 Series B Bonds, except as noted below, as a result of transition rules in various federal tax laws adopted since 1980.

The first general requirement of the Code applicable to the Corporation's Program is that the aggregate amount of private activity bonds that may be issued by the Corporation in any calendar year (or previous years' carried forward amount) must not exceed the portion of the private activity bond volume limit for the State for such calendar year that is allocated to the Corporation. The Program Bonds are within the applicable limit for the Corporation. The second general requirement of the Code applicable to the Corporation's Program is that at least 20% of the lendable proceeds of an issue of bonds must be made available (and applied with reasonable diligence) for owner-financing of residences in targeted areas (as defined by the Code) for at least one year after the date on which such funds are first available for such owner-financing (the "targeted area requirement"). The Corporation has covenanted to comply with such requirements to the extent required by the Code.

The Code requires the issuer of qualified mortgage bonds to file with the Internal Revenue Service reports on the issuance of its qualified mortgage bonds following such issuance, as well as an annual qualified mortgage loan information report. The Corporation has covenanted to file, as required, such reports with respect to the mortgage loans financed by the Program Bonds.

The Code requires that the effective interest rate on mortgage loans financed with the lendable proceeds of qualified mortgage bonds (such as the Program Bonds) may not exceed the yield on the composite issue of Tax-Exempt Bonds by more than 1.125% and the effective interest rate on the mortgage loans collectively financed by the composite issue of Tax-Exempt Bonds may not exceed the yield of the composite issue by more than 1.50%. With respect to each of the Tax-Exempt Bonds, the Code requires that certain investment earnings on non-mortgage investments, calculated based upon the extent such investment earnings exceed the amount that would have been earned on such investments if the investments were invested at a yield equal to the yield on the composite issue, be rebated to the United States. The Corporation has covenanted to comply with these requirements and has established procedures to determine the amount of excess earnings, if any, that must be rebated to the United States.

*Recapture Provision*

For certain mortgage loans made after December 31, 1990 from the proceeds of tax-exempt bonds issued after August 15, 1986, and for assumptions of such mortgage loans, the Code requires a payment to the United States from certain mortgagors upon sale or other disposition of their homes (the "Recapture Provision"). The Recapture Provision requires that an amount determined to be the subsidy provided by a qualified mortgage bond financing to a mortgagor be paid to the United States on disposition of the house (but not in excess of 50% of the gain realized by the mortgagor). The recapture amount would (i) increase over the period of ownership, with full recapture occurring if the house were sold between four and five full years after the closing of the mortgage loan, and (ii) decline ratably to zero with respect to sales occurring between five and nine full years after the closing of the mortgage loan. An exception excludes from recapture part or all of the subsidy in the case of certain assisted individuals whose incomes are less than prescribed amounts at the time of the disposition. The Code requires an issuer to inform mortgagors of certain information with respect to the Recapture Provision. The Corporation has established procedures which the Corporation believes will enable it to meet such recapture information requirement.

The Code states that an issuer will be treated as meeting the targeted area requirement, the arbitrage restrictions on mortgage loans, and the recapture information requirements if it in good faith attempted to meet all such requirements and any failure to meet such requirements was due to inadvertent error after taking all reasonable steps to comply with such requirements.

*Required Redemptions*

The Code requires redemption of certain qualified mortgage bonds issued after 1988 from unexpended proceeds required to be used to make mortgage loans that have not been used within 42 months from the date of issuance (or the date of issuance of the original bonds in the case of refundings of unexpended proceeds), except for a $250,000 de minimis amount. As a result, the Corporation may be required by the Code to redeem the Program Bonds from unexpended proceeds attributable to the Program Bonds. Additionally, for bonds issued after 1988, the Code permits repayments (including prepayments) of principal of mortgage loans financed with the proceeds of an issue of bonds to be used to make additional mortgage loans for only 10 years from the date of issuance of the bonds (or the date of issuance of the original bonds in the case of refundings), after which date such amounts must be used to redeem bonds, except for a $250,000 de minimis amount. As a result, the Corporation may be required by the Code to redeem Program Bonds from repayments (including prepayments) of principal of Mortgage Loans financed with proceeds attributable to the Program Bonds.

*Compliance*

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 Tax-Exempt Bonds, including compliance with restrictions on the yield of mortgage loans and non-mortgage investments and periodic rebate payments to the Federal government, as well as restrictions on the type of Mortgage Loans financed. The Corporation will deliver concurrently with the delivery the 2011 Series B Bonds and the release of the Program Bonds, a Tax Regulatory Agreement and No Arbitrage Certificate which contains provisions and procedures relating to compliance with such requirements of the Code, and the Corporation has included provisions in the Program Documents that establish procedures, including receipt of certain affidavits and warranties from Mortgage Lenders and mortgagors, in order to assure compliance with the loan eligibility requirements and other requirements that must be satisfied subsequent to the date of issuance of the 2011 Series B Bonds and the Release Date of the Program Bonds. The Corporation also has covenanted in the Indenture to do and perform all acts and things permitted by law and necessary or desirable to assure that interest paid on the Tax-Exempt Bonds shall not be included in gross income for Federal income tax purposes and, for such purpose, to adopt and maintain appropriate procedures. Failure to comply with these covenants may result in interest on the Tax-Exempt Bonds being included in gross income for Federal income tax purposes from their respective dates of issuance. The opinions of Bond Counsel and Special Tax Counsel assume the Corporation is in compliance with these covenants. Bond Counsel and Special Tax Counsel are not aware of any reason why the Corporation cannot or will not be in compliance with such covenants. *However,* Bond Counsel and Special Tax Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2011 Series B Bonds and the Release Date of the Program Bonds may affect the tax status of interest on the Tax-Exempt Bonds.

***Original Issue Discount***

Tax-exempt bonds sold at an initial public offering price that is less than the stated amount to be paid at maturity constitute "Discount Bonds." The difference between the initial public offering prices of any such Discount Bond and the stated amount to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes to the same extent as interest on such Discount Bond.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

***Original Issue Premium***

Tax-exempt bonds sold at an initial public offering price that is greater than the stated amount to be paid at maturity constitute "Premium Bonds." An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

***Backup Withholding***

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Tax-Exempt Bonds is subject to information reporting in a manner similar to that with respect to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes or any other Federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### *Certain Additional Federal Tax Consequences*

The foregoing is a brief discussion of certain Federal and State income tax matters with respect to the Tax-Exempt Bonds under existing statutes. It does not purport to deal with all aspects of Federal or State taxation that may be relevant to a particular owner of Tax-Exempt Bonds. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal, State and local tax consequences of owning and disposing of the Tax-Exempt Bonds.

Although Bond Counsel and Special Tax Counsel will each render an opinion that interest on the Tax-Exempt Bonds will be excluded from gross income for Federal income tax purposes, the accrual or receipt of interest on the Tax-Exempt Bonds may otherwise affect the Federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel and Special Tax Counsel express no opinion regarding any such consequences. Purchasers of the Tax-Exempt Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the Tax-Exempt Bonds.

### *Changes in Federal and State Tax Law*

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Tax-Exempt Bonds. An example is the American Jobs Act of 2011 (S. 1549), proposed by the President and introduced in the Senate on September 13, 2011. If enacted as introduced, a provision of S. 1549 would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012, and as a result could affect the market price or marketability of the Tax-Exempt Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Tax-Exempt Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Tax-Exempt Bonds or the market value thereof would be impacted thereby. Purchasers of the Tax-Exempt Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel and Special Tax Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Tax-Exempt Bonds, and Bond Counsel and Special Tax Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

**2011 Series A Bonds**

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the 2011 Series A Bonds for the investors described below and is based on the advice of Bond Counsel and Special Tax Counsel. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are "U.S. holders" (as defined below) who will hold the 2011 Series A Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of 2011 Series A Bonds. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "Service") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a 2011 Series A Bond. A "non U.S. holder" is a holder (or beneficial owner) of a 2011 Series A Bond that is not a U.S. person. For these purposes, a "U.S. Person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

***General***

Although the 2011 Series A Bonds are issued by the Corporation, interest on the 2011 Series A Bonds (including original issue discount treated as interest) is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the 2011 Series A Bonds (including original issue discount treated as interest) will be fully subject to federal income taxation. Thus, owners of the 2011 Series A Bonds generally must include interest (including original issue discount treated as interest) on the 2011 Series A Bonds in gross income for federal income tax purposes.

To ensure compliance with Treasury Circular 230, holders of the 2011 Series A Bonds should be aware and are hereby put on notice that: (a) the discussion in this Official Statement with respect to U.S. federal income tax consequences of owning the 2011 Series A Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

***Taxation of Interest Income of the 2011 Series A Bonds.***

Payments of interest with regard to the 2011 Series A Bonds will be includible as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code. If the 2011 Series A Bonds are deemed to be issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest (as defined in the Code) allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

Payments of interest received with respect to the 2011 Series A Bonds will also constitute investment income for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential holders of the 2011 Series A Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the 2011 Series A Bonds.

A purchaser (other than a person who purchases a 2011 Series A Bond upon issuance at the issue price) who buys a 2011 Series A Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified de minimis amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the 2011 Series A Bonds.

***Sale or Exchange of the 2011 Series A Bonds***

If a Bondholder sells a 2011 Series A Bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the Bondholder's basis in such 2011 Series A Bond. Ordinarily, such gain or loss will be treated as a capital gain or loss. At the present time, the maximum capital gain rate for certain assets held for more than twelve months is 15%. However, if a 2011 Series A Bond was subject to its initial issuance at a discount, a portion of such gain will be recharacterized as interest and therefore ordinary income. In February of 2009, President Barack Obama proposed increasing the long-term capital gains rate to 20%. Neither the Corporation, Bond Counsel nor Special Tax Counsel can predict whether this increase will receive Congressional approval.

If the terms of a 2011 Series A Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential holder of a 2011 Series A Bond should consult its own tax advisor concerning the circumstances in which the 2011 Series A Bonds would be deemed reissued and the likely effects, if any, of such reissuance.

The legal defeasance of the 2011 Series A Bonds may result in a deemed sale or exchange of such 2011 Series A Bonds under certain circumstances. Owners of such 2011 Series A Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

***Backup Withholding***

Certain purchasers may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the 2011 Series A Bonds, if the purchasers, upon issuance, fail to supply the indenture trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the indenture trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding.

***Tax Treatment of Original Issue Discount***

Taxable bonds that have an original yield above their interest rate constitute "Discounted Obligations." The difference between the initial public offering prices of Discounted Obligations and their stated amounts to be paid at maturity, constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

In the case of an owner of a Discounted Obligation, the amount of original issue discount which is treated as having accrued with respect to such Discounted Obligation is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Discounted Obligation (including its sale, redemption or payment at maturity). Amounts received upon disposition of a Discounted Obligation which are attributable to accrued original issue discount will be treated as taxable interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Obligation, on days which are determined by reference to the maturity date of such Discounted Obligation. The amount treated as original issue discount on a Discounted Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discounted Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Obligation the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If a Discounted Obligation is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Discounted Obligation who purchase such Discounted Obligations after the initial offering. Owners of Discounted Obligations including purchasers of Discounted Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such obligations as of any date and with respect to the state and local tax consequences of owning a Discounted Obligation.

***Tax Treatment of Bond Premium***

Taxable bonds that have an original yield below their interest rate constitute "Premium Obligations". An amount equal to the excess of the issue price of a Premium Obligation over its stated redemption price at maturity constitutes premium on such Premium Obligation. An initial purchaser of such Premium Obligation must amortize any premium over such Premium Obligation's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Obligations callable prior to their maturity, by amortizing the premium to the call date, based upon the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, it offsets the interest allocable to the corresponding payment period and the purchaser's basis in such Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Obligation prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. The same treatment is afforded to Premium Obligations purchased at a premium in the secondary market. Purchasers of Premium Obligations should consult with their own tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning such Premium Obligations.

***State, Local or Foreign Taxation***

No representations are made regarding the tax consequences of purchase, ownership or disposition of the 2011 Series A Bonds under the tax laws of any state, locality or foreign jurisdiction (except as provided in "Exemption Under State Tax Law" below). Investors considering an investment in the 2011 Series A Bonds should consult their own tax advisors regarding such tax consequences.

***Tax-Exempt Investors***

In general, an entity which is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any holder of a 2011 Series A Bond incurs acquisition indebtedness with respect to a 2011 Series A Bond, interest paid or accrued with respect to such Bondholder may be excluded by such tax exempt Bondholder from the calculation of unrelated business taxable income. Each potential tax exempt holder of a 2011 Series A Bond is urged to consult its own tax advisor regarding the application of these provisions.

***Certain ERISA Considerations***

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the 2011 Series A Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the 2011 Series A Bonds could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the Corporation or any Underwriter of the 2011 Series A Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the 2011 Series A Bonds are acquired by such plans or arrangements with respect to which the Corporation or any Underwriter is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the 2011 Series A Bonds. The sale of the 2011 Series A Bonds to a plan is in no respect a representation by the Corporation or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. **Any plan proposing to invest in the 2011 Series A Bonds should consult with its counsel to confirm that such investment is permitted under the plan**

**documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.**

### *Changes in Federal and State Tax Law*

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the 2011 Series A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2011 Series A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2011 Series A Bonds or the market value thereof would be impacted thereby. Purchasers of the 2011 Series A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel and Special Tax Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2011 Series A Bonds, and Bond Counsel and Special Tax Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

### Exemption Under State Tax Law

In the opinion of Bond Counsel, interest on the Subject Bonds is free from taxation by the State under existing law (*except* that no opinion is expressed as to such exemption from State estate and inheritance taxes and taxes of transfers by or in anticipation of death).

See "Changes in Federal and State Tax Law" under the headings "Program Bonds and 2011 Series B Bonds" and "2011 Series A Bonds" above.

## CONTINUING DISCLOSURE UNDER SEC RULE 15c2–12

In order to assist the Underwriters of the 2011 Bonds in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), the Corporation will execute and deliver a Continuing Disclosure Certificate. The Corporation will undertake to provide the Municipal Securities Rulemaking Board, on an annual basis on or before 135 days after the end of each fiscal year for the Corporation, commencing with the fiscal year ending June 30, 2012, the financial and operating data concerning the Corporation outlined in the Continuing Disclosure Certificate. In addition, the Corporation will undertake, for the benefit of the registered owners and beneficial owners of the 2011 Bonds, to provide to the Municipal Securities Rulemaking Board, the notices described in the Continuing Disclosure Certificate by the times set forth therein.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Certificate is an action to compel specific performance of the undertakings of the Corporation, and no person, including a registered owner or beneficial owner of the 2011 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture. In addition, if all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Certificate, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The specific nature of the information to be provided is summarized in Appendix D — "Form of Continuing Disclosure Certificate." The Corporation has never failed to comply in any material respect with any previous undertaking with respect to the Rule to provide annual financial information or required event notices.

## RATINGS OF THE 2011 BONDS

S&P has assigned the 2011 Bonds a rating of "AAA" (such rating is on CreditWatch with negative implications), Moody's has assigned the 2011 Bonds a rating of "Aaa", and Fitch has assigned the 2011 Bonds a rating of "AAA". The Corporation has furnished to each rating agency certain information and materials with respect to the 2011 Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. The obligation of the Underwriters to purchase the 2011 Bonds is conditioned on the assignment by S&P, Moody's and Fitch of the respective aforementioned ratings to the 2011 Bonds. Each rating reflects only the view of the applicable rating agency at the time such rating was issued and an explanation of the significance of such rating may be obtained from the rating agency. There is no assurance that any such rating will continue for any given period of time or that any such ratings will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of any such rating can be expected to have an adverse effect on the market price of the 2011 Bonds.

Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country and developments arising from the Budget Control Act of 2011, including the deliberations and results of the Joint Select Committee on Deficit Reduction, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the 2011 Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the 2011 Bonds.

## FINANCIAL STATEMENTS

Copies of the Corporation's annual financial statements as of and for the year ended June 30, 2011 and the Corporation's current annual report will be mailed to any Beneficial Owner who shall have filed his name and address with the Corporation for such purpose.

## INDEPENDENT AUDITORS

Copies of the Corporation's annual financial statements as of and for the year ended June 30, 2011, included in Appendix A to this Official Statement, have been audited by Mikunda, Cottrell & Co., independent auditors, as stated in their report appearing herein.

## LITIGATION

There is no controversy or litigation of any material nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the 2011 Bonds, or the Release and Conversion with respect to the Program Bonds, or in any way contesting or affecting the validity of the Subject Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Subject Bonds or the existence or powers of the Corporation.

## LEGAL MATTERS

All legal matters incident to the authorization, sale and delivery of the 2011 Bonds and the Release and Conversion with respect to the Program Bonds and certain Federal and state tax matters are subject to the approval of Birch Horton Bittner & Cherot, Bond Counsel. Certain Federal tax matters will be passed upon for the Corporation by Kutak Rock LLP, Special Tax Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP.

## STATE NOT LIABLE ON BONDS

The Bonds do not constitute a debt, liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision thereof, but are payable solely from the revenue or assets of the Corporation.

## LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the Subject Bonds are eligible for investment by all public officers and public bodies of the State and its political subdivisions, and, to the extent controlled by State law, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them, in the Subject Bonds.

## UNDERWRITING

The 2011 Bonds are being purchased by the Underwriters. The Underwriters have jointly and severally agreed to purchase the 2011 Bonds at the price of $100,305,000, plus accrued interest, if any. The Underwriters will be paid a fee of $737,516.13 with respect to the 2011

Bonds. The Bond Purchase Agreement with respect to the 2011 Bonds provides that the Underwriters will purchase all of such Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Bond Purchase Agreement, the receipt of certain legal opinions, and certain other conditions. The obligation of the Underwriters to purchase the 2011 Bonds is conditioned on the Release of the Program Bonds. The initial public offering prices and yields of the 2011 Bonds may be changed from time to time by the Underwriters. The Bond Purchase Agreement with respect to the 2011 Bonds provides that the Underwriters may offer and sell the 2011 Bonds to certain dealers (including dealers depositing such Bonds into unit investment trusts, certain of which may be sponsored or managed by an Underwriter) and others at prices lower or yields higher than the public offering prices and yields of the 2011 Bonds set forth on the cover page.

If there is no Release with respect to the Program Bonds, the issuance of the 2011 Bonds will be canceled.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase 2011 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2011 Bonds that such firm sells.

Morgan Stanley, the parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the 2011 Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2011 Bonds.

## FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Corporation in connection with the issuance of the 2011 Bonds and the Release of the Program Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the 2011 Bonds and the Release of the Program Bonds is contingent upon the issuance and delivery of the 2011 Bonds and the Release of the Program Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Subject Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

## FORWARD-LOOKING STATEMENTS

The following statements are made as contemplated by the provisions of the Private Securities Litigation Reform Act of 1995: If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, general economic and business conditions relating to the Corporation and the housing industry in general, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Corporation. These forward-looking statements speak only as of the date of this Official Statement. The Corporation disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Corporation's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## ADDITIONAL INFORMATION

The summaries and references herein to the Act, the Subject Bonds, the Indenture and other documents and materials are brief outlines of certain provisions contained therein and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act, the Indenture and such other documents and materials for the complete provisions thereof, copies of which will be furnished by the Corporation upon request. See "The Corporation — General" for the address and telephone number of the Corporation's main office.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the owner of any Subject Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Corporation.

ALASKA HOUSING FINANCE CORPORATION

By: /s/ Michael Strand
Acting Chief Financial Officer

Dated: November 2, 2011

APPENDIX A

# FINANCIAL STATEMENTS OF THE CORPORATION

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Alaska Housing
FINANCE CORPORATION

*a component unit of the State of Alaska*

# Financial Statements

**And Independent Auditor's Report**

## June 30, 2011

**With Summarized Financial Information for June 30, 2010**

# Table of Contents



## Supplemental Information




This publication of Alaska Housing Finance Corporation. For comments or questions:
Website: http://www.ahfc.state.ak.us/financials/financials.cfm or
E-Mail: dboyce@ahfc.state.ak.us

Mikunda, Cottrell & Co.
Certified Public Accountants & Consultants

An Independently Owned Member McGLADREY ALLIANCE | McGladrey

Independent Auditor's Report

The Board of Directors
Alaska Housing Finance Corporation:

We have audited the accompanying statements of net assets, revenues, expenses, and changes in net assets and cash flows of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation (the Corporation) as of and for the year ended June 30, 2011, which collectively comprise the Corporation's basic financial statements. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2010 financial statements and in our report dated September 20, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 26, 2011, on our consideration of the Corporation'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 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 internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

3601 "C" Street, Suite 600 * Anchorage, Alaska 99503 * (907) 278-8878 * Fax (907) 278-5779 * www.mcc-cpa.com

The Board of Directors
Alaska Housing Finance Corporation:

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole

Mikunda, Cottrell & Co.

Anchorage, Alaska
September 26, 2011

## OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report of the Alaska Housing Finance Corporation's ("the Corporation") consists of three sections: management's discussion and analysis, the basic financial statements and supplementary schedules. The Corporation's operations are business type activities and follow enterprise fund accounting. The Corporation is a component unit of the State of Alaska ("the State") and is discretely presented in the State's financial statements. The Corporation's basic financial statements include: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; the Statement of Cash Flows and the Notes to Financial Statements. These statements are presented for all of the Corporation's operations and programs, with a dual focus on the Corporation as a whole (entity-wide) and on its major funds. Summarized financial information for FY 2010 is also presented here in the Management's Discussion and Analysis and the footnotes to facilitate and enhance the understanding of the Corporation's financial position, and the results of operations for the current fiscal year in comparison to the prior fiscal year.

**Management's Discussion and Analysis**
This section of the Corporation's annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal year ended June 30, 2011. This information is being presented to assist the reader in identifying significant financial issues and to provide additional information regarding the activities of the Corporation. This information should be read in conjunction with the Independent Auditors' Report, the audited financial statements and accompanying notes.

**Basic Financial Statements**
The *Statement of Net Assets (Exhibit A)* answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities of the Corporation, both financial and capital, short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. The resulting net assets presented in this statement are displayed as restricted or unrestricted. Assets are restricted when their use is subject to external limits such as bond resolutions, legal agreements or statutes. Assets not included in this category are characterized as unrestricted. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets (Exhibit B)* measures the activities of the Corporation's operations over the past year and presents the operating income (loss) and change in net assets. It can be used to determine whether the Corporation has successfully recovered all of its costs through mortgage and loan interest, investment interest, externally funded programs and other revenue sources. This statement helps answer the question, "Is the Corporation as a whole better off or worse off as a result of the year's activities?"

The primary purpose of the *Statement of Cash Flows (Exhibit C)* is to provide information about the sources and uses of the Corporation's cash and the components of the change in cash balance during the reporting period. This statement reports cash receipts, cash payments, and net changes resulting from operating, non-capital financing, capital financing and investing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period?"

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

Major Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. For the fiscal year 2011, the Corporation reports the following major funds:

The *Administrative Fund* is the main operating fund of the Corporation. It represents all of the Corporation's activity not presented in other funds. The resources in this fund:

- provide for general working capital requirements of the Corporation
- fund program requirements
- are available to meet outstanding obligations and to fund continuing appropriations
- are available to absorb future loan foreclosure losses, and
- are the source of legislatively authorized transfers to and from the State and debt service payments for debt issued on behalf of the State for state capital projects

As of June 30, 2011, the Administrative Fund reported net assets of $868 million, an increase of $48 million from June 30, 2010. The increase in net assets can be primarily attributed to Operating income of $22 million, internal transfers to the Administrative fund of $40 million, and a special item gain of $3 million offset by contributions to the State of Alaska of $17 million. Approximately $12 million of the Administrative Fund's net assets are invested in capital assets net of related debt or 1%, $126 million, or 15%, are restricted by contractual or statutory agreements and $730 million, or 84%, are unrestricted and may be used for operations and to meet the continuing obligations of the Corporation.

The Administrative Fund reported operating income of $22 million for FY 2011, a $1 million decrease from FY 2010 due primarily to a decrease of $6 million in loan revenue offset by a increase in the fair value of investments of $2 million and a decrease in total operating expenses of $3 million.

The *Energy Programs* account for resources and programs used to assist in improving the energy efficiency of Alaska homes. These programs include the Weatherization and Home Energy Rebate programs.

The Corporation's *Other Non-Major Funds* include individual funds for First Time Homebuyer Bonds, Veterans Mortgage Program Bonds, Other Housing Bonds, Non-Housing Bonds, Other Program Funds and Revolving Funds. Supplementary schedules present these funds.

## FINANCIAL HIGHLIGHTS

- As a result of this year's operations, the Corporation's operating loss was $13 million.
- The Corporation's assets exceeded its liabilities, as of June 30, 2011, by $1.6 billion (net assets).
- The Corporation's mortgage loan portfolio is one of its primary assets. During the fiscal year ended June 30, 2011, mortgage loans decreased by 7%.
- During the fiscal year ended June 30, 2011, the Corporation's total assets decreased by $227 million and total liabilities, without derivatives, decreased by $197 million.
- The Corporation realized a gain of $3 million from the sale of land.
- The Corporation purchased the Corporate headquarters building for $12 million.

## CONDENSED STATEMENT OF NET ASSETS

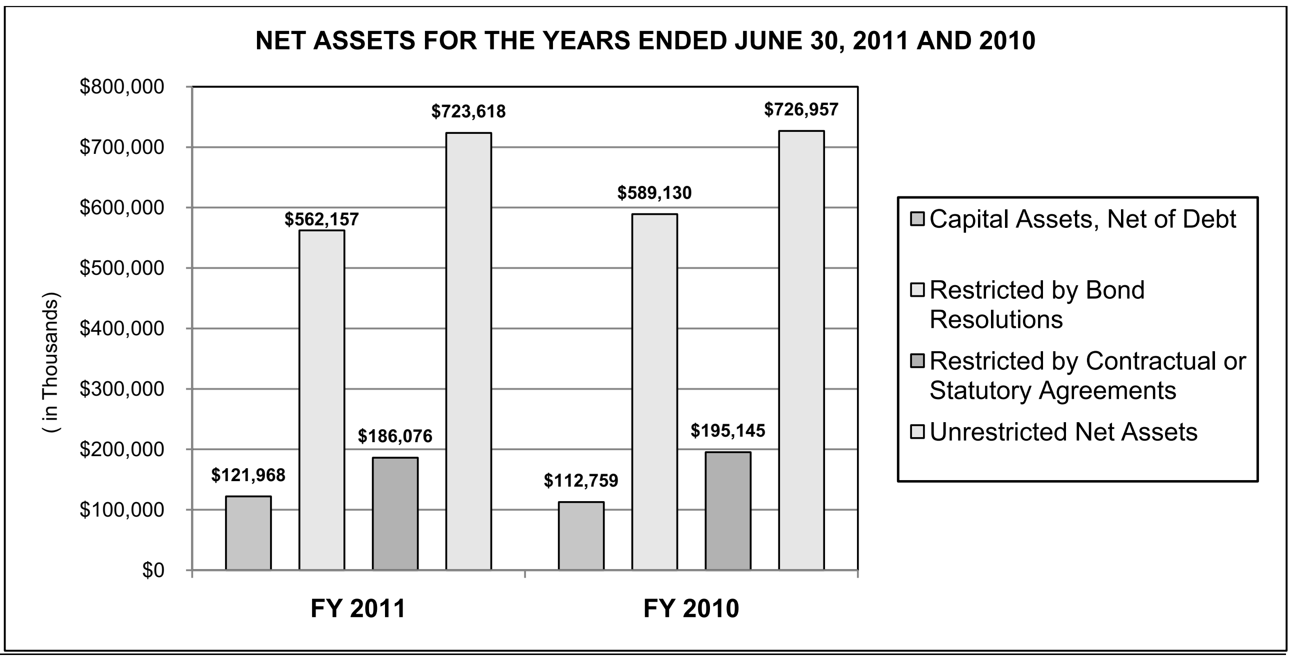
The following table presents condensed information about the financial position of the Corporation as of June 30, 2011 and 2010, and changes in the balances of selected items during the fiscal year ended June 30, 2011 (in thousands):

| | 2011 | 2010 | Change Increase (Decrease) | |
|---|---|---|---|---|
| Investments | 1,362,107 | 1,389,605 | (27,498) | (2.0) % |
| Mortgage loans, notes and other loans, net | 2,759,511 | 2,971,253 | (211,742) | (7.1) % |
| Capital assets, net | 121,968 | 112,759 | 9,209 | 8.2 % |
| Total assets, excluding deferred outflows | 4,441,104 | 4,668,918 | (227,814) | (4.9) % |
| Bonds and notes, net | 2,721,113 | 2,832,647 | (111,534) | (3.9) % |
| Short term debt | 86,976 | 149,890 | (62,914) | (42.0) % |
| Total liabilities, excluding derivatives | 2,845,326 | 3,042,559 | (197,233) | (6.5) % |
| Total net assets, net | 1,593,819 | 1,623,991 | (30,172) | (1.9) % |

The decrease in total assets during FY 2011 can be primarily attributed to decreases in investments and mortgage loans. The decrease in mortgage loans resulted from collection of loan payments exceeding new loan purchases.

The decrease in total liabilities is primarily attributed to decreases in bond debt and short term debt.

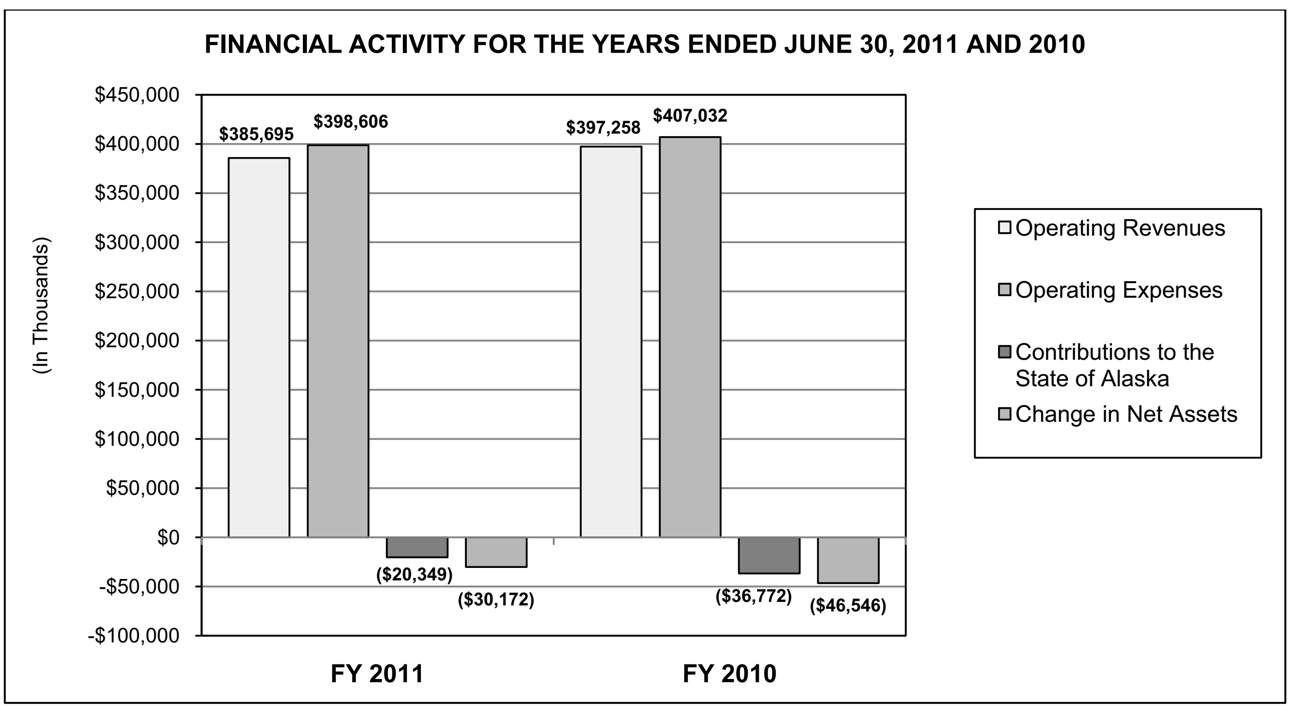
The chart below represents the classification of unrestricted and restricted net assets, and capital assets, net of debt, for FY 2011 and FY 2010.



## CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The following table presents condensed information about the revenues, expenses and changes in net assets for the fiscal years ended June 30, 2011 and 2010, and the variances from the prior fiscal year (in thousands):

| | 2011 | 2010 | Change Increase (Decrease) | |
|---|---|---|---|---|
| Mortgage and loan revenue | 164,242 | 177,855 | (13,613) | (7.7) % |
| Investment interest income | 8,454 | 11,605 | (3,151) | (27.2) % |
| Net change in the fair value of investments | 7,766 | 6,317 | 1,449 | 22.9 % |
| Externally funded programs | 194,411 | 191,968 | 2,443 | 1.3 % |
| Total operating revenues | 385,695 | 397,258 | (11,563) | (2.9) % |
| | | | | |
| Interest expense | 122,138 | 130,789 | (8,651) | (6.6) % |
| Operations and administration | 54,100 | 49,678 | 4,422 | 8.9 % |
| Housing grants and subsidies | 196,168 | 194,883 | 1,285 | 0.7 % |
| Total operating expenses | 398,606 | 407,032 | (8,426) | (2.1) % |
| | | | | |
| Operating loss | (12,911) | (9,774) | 3,137 | (32.1) % |
| | | | | |
| Contributions to the SOA or other State agencies | (20,349) | (36,772) | (16,423) | (44.7) % |
| Special item | 3,088 | - | 3,088 | 100.0 % |
| Change in net assets | (30,172) | (46,546) | 16,374 | (35.2) % |



Total operating revenues decreased by $12 million, or 3%, during FY 2011 primarily due to decreases in mortgage and loan revenue and net investment earnings.

Total operating expenses decreased by $8 million, or 2% during FY 2011 primarily due to decreases in interest expense and loan loss offset by an increase in operations and administration expense.

The net effect of changes in operating revenues and expenses was a $3 million or 32 % increase in operating loss from FY 2010.

During the fiscal year 2011, the Corporation recorded a gain on the sale of land in the amount of $3 million. The land was not used in the regular course of business. Because the sale of land was unique in nature and not part of the normal operations of the Corporation, the gain on the sale was treated as a special item on the Corporation's Statement of Revenues, Expenses and Changes in Net Assets.

The Corporation continued its series of annual payments to the State of Alaska and State agencies. As a result of a modification to the Transfer Plan during the 2004 Legislative Session, transfers to the State for FY 2011 were $20 million and for FY 2010 were $37 million. In FY 2011 the Transfer Plan called for payment of the lesser of $103 million or 75% of the Corporation's adjusted net income. Subsequent to GASB 34, the Corporation interprets net income as operating income.

## DEBT ADMINISTRATION

As of June 30, 2011, the Corporation had $2.7 billion of bonds and notes payable secured by assets held and the general obligation pledge of the Corporation. The Corporation's debt is rated by three major rating agencies. The ratings assigned to the Corporation by each of those agencies are:

| Rating Category | Fitch Ratings | Moody's Investors Service | Standard & Poor's |
|---|---|---|---|
| General Obligation: | | | |
| Long Term | AA+ | Aa2 | AA+ |
| Short Term | F1+ | P-1 | A-1+ |

Significant debt activity during the year included the following:

- Issued $79 million in Tax-Exempt Home Mortgage Revenue Bonds;
- Issued $105 million in State Capital Projects Bonds
- Redeemed bonds through surplus redemption provisions of their respective indentures in the amount of $253 million;
- Converted $64 million bonds under the federal New Issue Bond Program.

Additional information on the Corporation's long-term debt can be found in the Notes to Financial Statements.

## ECONOMIC FACTORS AND OTHER FINANCIAL INFORMATION

The primary business activity of the Corporation is providing a secondary market for the purchase of single-family and multi-family mortgage loans. The Corporation's mortgage financing activities are sensitive to changes in interest rates, the spread between the rate on the Corporation's loans and those available in the conventional mortgage markets, and the availability of affordable housing in the State. The availability of long-term tax-exempt financing on favorable terms is a key element in providing the funding necessary for the Corporation to continue its mortgage financing activities.

The Corporation's main sources of revenues include mortgage loan activity, investment interest income and externally funded grants and subsidies. Market interest rates have an effect on both the mortgage program and investment income revenues. If interest rates rise, mortgage and investment income should increase as new loans are originated and new investments are purchased at the higher rates. If interest rates fall, mortgage and investment income will decrease as new loans are originated and new investments are purchased at the lower rates.

Any decrease in interest rates could also cause an increase in prepayments on higher rate mortgages. The Corporation uses many of these prepayments to call the corresponding bond series, which lowers the interest expense incurred on the Corporation's overall bonds outstanding, or to recycle mortgages to obtain the maximum allowable spread.

Large federal deficits or changes in programs or funding levels could have a negative impact on externally funded program revenues.

## CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives during the periods reported. If you have questions about this report or need additional financial information, please visit the Corporation's web site www.ahfc.us.

# ALASKA HOUSING FINANCE CORPORATION

**Exhibit A**

(A Component Unit of the State of Alaska)

**STATEMENT OF NET ASSETS**

As of June 30, 2011

*(in thousands of dollars)*

| | Administrative Fund | Energy Programs | Other Non-Major Funds | Total June 30, 2011 |
|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | | | |
| Cash | 41,087 | 1,559 | 30,765 | 73,411 |
| Investments | 731,500 | - | 630,607 | 1,362,107 |
| Accrued interest receivable | 1,440 | - | 11,865 | 13,305 |
| Inter-fund due to/from | (8,385) | (14,123) | 22,508 | - |
| Mortgage loans, notes and other loans | 178,172 | - | 2,581,339 | 2,759,511 |
| Net investment in direct financing lease | - | - | 57,476 | 57,476 |
| Unamortized bond issuance costs | - | - | 16,880 | 16,880 |
| Capital assets - non-depreciable | 139 | 1,076 | 14,677 | 15,892 |
| Capital assets - depreciable, net | 12,160 | 8 | 93,908 | 106,076 |
| Other assets | 8,668 | 10,006 | 4,757 | 23,431 |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental receivable | 1,267 | 10,186 | 1,562 | 13,015 |
| Deferred outflow of resources | - | - | 100,936 | 100,936 |
| **Total Assets and Deferred Outflows** | 966,048 | 8,712 | 3,567,280 | 4,542,040 |
| **LIABILITIES AND DEFERRED INFLOWS** | | | | |
| Bonds and notes payable | - | - | 2,721,113 | 2,721,113 |
| Short term debt | 86,976 | - | - | 86,976 |
| Accrued interest payable | 1,300 | - | 11,388 | 12,688 |
| Other liabilities | 8,875 | 6,270 | 5,011 | 20,156 |
| Derivative instrument - interest rate swaps | - | - | 102,895 | 102,895 |
| Intergovernmental payable | 1,029 | - | 3,364 | 4,393 |
| Deferred inflow of resources | - | - | - | - |
| **Total Liabilities & Deferred Inflows** | 98,180 | 6,270 | 2,843,771 | 2,948,221 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | 12,299 | 1,084 | 108,585 | 121,968 |
| Restricted by bond resolutions | - | - | 562,157 | 562,157 |
| Restricted by contractual or statutory agreements | 125,377 | 1,732 | 58,967 | 186,076 |
| Unrestricted net assets, (deficit) | 730,192 | (374) | (6,200) | 723,618 |
| **Total Net Assets** | 867,868 | 2,442 | 723,509 | 1,593,819 |

*See accompanying notes to the financial statements.*

# ALASKA HOUSING FINANCE CORPORATION

**Exhibit B**

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2011

*(in thousands of dollars)*

| | Administrative Fund | Energy Programs | Other Non-Major Funds | Total June 30, 2011 |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Mortgage and loans revenue | 13,668 | - | 150,574 | 164,242 |
| Investment interest | 537 | 5 | 7,912 | 8,454 |
| Net change in the fair value of investments | 7,822 | - | (56) | 7,766 |
| Net change of hedge termination | - | - | 410 | 410 |
| Total Investment Revenue | 8,359 | 5 | 8,266 | 16,630 |
| Externally funded programs | - | 115,490 | 78,921 | 194,411 |
| Rental | 28 | - | 7,968 | 7,996 |
| Other | 1,849 | 2 | 565 | 2,416 |
| **Total Operating Revenues** | 23,904 | 115,497 | 246,294 | 385,695 |
| **OPERATING EXPENSES** | | | | |
| Interest | 429 | - | 121,709 | 122,138 |
| Mortgage and loan costs | 1,394 | - | 10,193 | 11,587 |
| Financing expenses | 497 | - | 8,195 | 8,692 |
| Provision for loan loss | (2,128) | - | (4,545) | (6,673) |
| Operations and administration | 1,779 | 4,732 | 47,589 | 54,100 |
| Rental housing operating expenses | 161 | 331 | 12,102 | 12,594 |
| Housing grants and subsidies | - | 110,644 | 85,524 | 196,168 |
| **Total Operating Expenses** | 2,132 | 115,707 | 280,767 | 398,606 |
| **Operating Income (Loss)** | 21,772 | (210) | (34,473) | (12,911) |
| **NONOPERATING EXPENSES, SPECIAL ITEM & TRANSFERS** | | | | |
| Contributions to the State of Alaska or other State agencies | (16,568) | - | (3,781) | (20,349) |
| Special Item (note 24) | 3,088 | - | - | 3,088 |
| Transfers - Internal | 39,519 | 854 | (40,373) | - |
| Change in Net Assets | 47,811 | 644 | (78,627) | (30,172) |
| Net assets at beginning of year | 820,057 | 1,798 | 802,136 | 1,623,991 |
| **Net Assets at End of Period** | 867,868 | 2,442 | 723,509 | 1,593,819 |

*See accompanying notes to the financial statements.*

## ALASKA HOUSING FINANCE CORPORATION
*Exhibit C*

(A Component Unit of the State of Alaska)
**STATEMENT OF CASH FLOWS**
For the Year Ended June 30, 2011
*(in thousands of dollars)*

| | Administrative Fund | Energy Programs | Other Non-Major Funds | Total June 30, 2011 |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Interest income on mortgages and loans | 8,559 | - | 143,008 | 151,567 |
| Principal payments received on mortgages and loans | 26,135 | - | 587,239 | 613,374 |
| Purchases of mortgages and loans | (415,918) | - | - | (415,918) |
| Receipt (payment) for loan transfers between funds | 402,025 | - | (402,025) | - |
| Payments to employees and other payroll disbursements | (22,171) | (1,114) | (12,361) | (35,646) |
| Payments for goods and services | (12,594) | (3,723) | (8,968) | (25,285) |
| Cash received for externally funded programs | - | 114,677 | 44,310 | 158,987 |
| Cash received for Federal HAP subsidies | - | - | 38,944 | 38,944 |
| Payments for Federal HAP subsidies | - | - | (37,940) | (37,940) |
| Interfund Receipts | 1,006,742 | 115,579 | 793,904 | 1,916,225 |
| Interfund Payments | (1,021,891) | (115,345) | (778,989) | (1,916,225) |
| Grant payments to other agencies | (12,128) | (109,664) | (36,509) | (158,301) |
| Other operating cash receipts | 39,392 | 282 | 8,564 | 48,238 |
| Other operating cash payments | (11,989) | - | (125) | (12,114) |
| **Net cash provided by (used for) operating activities** | (13,838) | 692 | 339,052 | 325,906 |
| **Cash flows from noncapital financing activities:** | | | | |
| Proceeds from the issuance of bonds | - | - | 173,711 | 173,711 |
| Principal paid on bonds | - | - | (295,748) | (295,748) |
| Payment to defease bonds | - | - | - | - |
| Payment of bond issuance costs | (1,580) | - | - | (1,580) |
| Interest paid | (444) | - | (118,911) | (119,355) |
| Proceeds from issuance of short term debt | 625,296 | - | - | 625,296 |
| Payment of short term debt | (688,167) | - | - | (688,167) |
| Contributions to the State of Alaska or other State agencies | (40,795) | - | (3,781) | (44,576) |
| Transfers (to) from other funds | 123,839 | - | (123,839) | - |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) noncapital financing activities** | 18,149 | - | (368,568) | (350,419) |
| **Cash flows from capital financing activities:** | | | | |
| Acquisition of capital assets | (2,199) | (1,083) | (13,098) | (16,380) |
| Proceeds from the disposal of capital assets | - | - | 9 | 9 |
| Proceeds from the issuance of capital notes | - | - | 14,215 | 14,215 |
| Principal paid on capital notes | - | - | (3,798) | (3,798) |
| Payment of bond issuance costs | (84) | - | - | (84) |
| Interest paid on capital notes | - | - | (3,020) | (3,020) |
| Proceeds from the direct financing lease payments | - | - | 6,771 | 6,771 |
| Other cash payments | (411) | - | - | (411) |
| **Net cash provided by (used for) capital financing activities** | (2,694) | (1,083) | 1,079 | (2,698) |
| **Cash flows from investing activities:** | | | | |
| Purchase of investments | (5,325,329) | - | (1,228,983) | (6,554,312) |
| Proceeds from maturity of investments | 5,326,435 | - | 1,263,346 | 6,589,781 |
| Interest received from investments | 552 | 5 | 5,378 | 5,935 |
| **Net cash provided by (used for) investing activities** | 1,658 | 5 | 39,741 | 41,404 |
| Net Increase (decrease) in cash | 3,275 | (386) | 11,304 | 14,193 |
| Cash at the beginning of year | 37,812 | 1,945 | 19,461 | 59,218 |
| **Cash at the end of period** | 41,087 | 1,559 | 30,765 | 73,411 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities** | | | | |
| Operating income (loss) | 21,772 | (210) | (34,473) | (12,911) |
| *Adjustments:* | | | | |
| Depreciation expense | 436 | 4 | 6,670 | 7,110 |
| Provision for loan losses | (2,128) | - | (4,545) | (6,673) |
| Amortization of bond issuance costs | - | - | 4,534 | 4,534 |
| Net change in the fair value of investments | (7,822) | - | 56 | (7,766) |
| Transfers between funds for operating activity | (43,019) | 950 | 42,069 | - |
| Interest received from investments | (552) | (5) | (5,378) | (5,935) |
| Interest paid | 444 | - | 121,931 | 122,375 |
| *Changes in assets and liabilities:* | | | | |
| Net increase (decrease) in mortgages and loans | 12,242 | - | 185,214 | 197,456 |
| Net increase (decrease) in assets and liabilities | 4,789 | (47) | 22,974 | 27,716 |
| **Net cash provided by (used for) operating activities** | (13,838) | 692 | 339,052 | 325,906 |
| **Noncash investing, capital and financing activities:** | | | | |
| Non cash transfer of capital asset | 11,961 | | (11,961) | |
| Non cash transfer of investments from non-major funds | 42 | | (110) | |
| non cash transfer of investments to other non-major funds | | | 68 | |
| Deferred outflow of resources | | | 26,964 | |
| Derivative instruments liability | | | (27,374) | |
| Net change of hedge termination | | | 410 | |
| Conversion of NIBP bonds to 2009 Series A-1 | | | 64,350 | |
| Conversion of NIBP bonds from 2009 Series A-1 | | | (64,350) | |

*See accompanying notes to the financial statements.*

# FOOTNOTE INDEX

# FOR THE YEAR ENDED JUNE 30, 2011

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2010)**

## 1 AUTHORIZING LEGISLATION AND FUNDING

The Alaska Housing Finance Corporation (Corporation), a public corporation and government instrumentality of the State of Alaska (State), was created in 1971, and substantially modified in 1992, by acts of the Alaska State Legislature (Legislature) to assist in the financing, development and sale of dwelling units, operate the State's public housing, offer various home loan programs emphasizing housing for low and moderate-income and rural residents, and administer energy efficiency and weatherization programs within Alaska. The Corporation is a component unit of the State of Alaska and is discretely presented in the State's financial statements.

Generally, the Corporation accomplishes its mortgage-related objectives by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. The Corporation is authorized by the Legislature to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. Certain bonds issued to finance residences for qualified veterans are unconditionally guaranteed by the State of Alaska. No other obligations constitute a debt of the State.

The non-mortgage related programs of the Corporation are funded through various grant and program agreements with the federal government's departments of Housing and Urban Development (HUD), Energy (DOE), and Health and Human Services (HHS), funding from the State of Alaska, as well as capital and operating subsidies from the Corporation's own funds.

The Corporation has the following subsidiaries. They were incorporated as subsidiaries of the Corporation under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Housing Finance Corporation Act (AS 18.56), as amended.

- The Northern Tobacco Securitization Corporation (NTSC) was incorporated on September 29, 2000 in the State of Alaska pursuant to House Bill No. 281 of the 2000 Alaska Legislature.
- The Alaska Housing Capital Corporation (AHCC) was incorporated on May 23, 2006 in the State of Alaska pursuant to Senate Bill 232 of the 2006 Alaska Legislature.
- The Alaska Gasline Development Corporation (AGDC) was incorporated on May 14, 2010 in the State of Alaska pursuant to House Bill 369 of the 2010 Alaska Legislature. AGDC had little activity during the fiscal year 2010. The initial stand alone financial statements of AGDC will be issued in fiscal year 2011 which will include activity from the inception of AGDC.

There is no financial accountability between NTSC, AHCC, or AGDC, and the Corporation. Neither the Corporation nor the State is liable for any debt issued by these subsidiaries. They are not component units of the Corporation and thus are not included in the Corporation's financial statements. They are government instrumentalities of, but have a legal existence separate and apart from, the State.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The Corporation's funds are accounted for as enterprise funds for financial reporting purposes. All funds utilize the economic resource measurement focus and full accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The Corporation applies all Governmental Accounting Standards Board (GASB) pronouncements for the Corporation's funds, as well as those Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements. After November 30, 1989, the Corporation only applies applicable GASB pronouncements.

### Basis of Presentation

The Corporation's financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets formatted to report operating and non-operating revenues and expenses, a Cash Flow Statement presented using the direct method, and notes to the financial statements. The Corporation's financial statements present the Administrative Fund and the other Major Fund in separate columns. The remaining Non-Major Funds are aggregated and displayed in a single column. The total column presents the entity-wide amounts for the Corporation.

### Major and Non-Major Funds
The Corporation reports the following major and non-major funds:

*Administrative Fund*. This is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation, except those accounted for in separate funds.

*Energy Programs.* Resources and programs to assist in improving the energy efficiency of Alaska homes are aggregated and reported in Energy Programs.

*Other Non-Major Funds.* Resources to assist in the financing, development and sale of housing units, public housing assistance programs, and home loan programs are aggregated and reported in Other Non-Major Funds.

### Restricted Net Assets
The restricted net asset amounts of the Administrative Fund consist of the Corporation's remaining commitments to the State (refer to Footnote No. 17, State Authorizations and Commitments, for further details). The remaining resources of the Administrative Fund are unrestricted.

The other financial activities of the Corporation are restricted by the Corporation's bond resolutions, requirements from the Legislature, and statutory requirements or third-party agreements that restrict the use of resources. These restricted resources are recorded in various special purpose funds and accounts. Restricted funds with a net deficit balance are shown as having an unrestricted net asset balance pursuant to reporting requirements.

When both restricted and unrestricted resources are available in a fund, it is the Corporation's policy to spend restricted funds to the extent allowed and only spend unrestricted funds when needed.

### Use of 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 expenditures during the reporting period. Actual results could differ from those estimates. The significant estimate for the Corporation is the allowance for loan losses.

### Investments
All investments are stated at fair value, except for nonparticipating investment agreements, which are stated at cost. The Corporation does not participate in any external investment pools.

### Accrued Interest Receivable on Loans and Real Estate Owned
Interest is accrued based upon the principal amount outstanding. Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest becomes doubtful. When payment of interest is provided for pursuant to the terms of loan insurance or guarantees, accrual of interest on delinquent loans and real estate owned is continued.

### Loans and Allowances for Estimated Loan Losses
Mortgage loans are carried at their unpaid principal balances net of allowance for estimated loan losses. Mortgage loans are recorded as amounts are disbursed.

The Corporation provides for possible losses on loans on which foreclosure is anticipated. A potential loss is recorded when the net realizable value, or fair value, of the related collateral or security interest is estimated to be less than the Corporation's investment in the property less anticipated recoveries from private mortgage insurance, private credit insurance, and various other loan guarantees. In providing for losses, through a charge to operations, consideration is given to the costs of holding real estate, including interest costs. The loan portfolio, property holding periods and property holding costs are reviewed periodically. While management uses the best information available to make evaluations, future adjustments to the allowances may be necessary if there are significant changes in economic conditions or property disposal programs.

### Real Estate and Mobile Homes Owned
Real estate and mobile homes owned consist principally of properties acquired through foreclosure or repossession and are carried at the lower of cost or estimated net realizable value. These amounts are included in other assets.

### Depreciation
Depreciation and amortization of buildings, equipment and leasehold improvements are computed on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 3 to 40 years. The capitalization floor is $5,000.

### Bonds and Notes
The Corporation issues bonds and notes to provide capital for its mortgage programs and other uses consistent with its mission. The bonds and notes are recorded at cost plus accreted interest and premiums, less discounts and deferred debt refunding expenses. Discounts and premiums are amortized using the straight-line method. Deferred debt refunding expenses are amortized over the shorter of the remaining life of the old debt or the remaining life of the new debt.

### Derivative Instruments-Interest Rate Swaps
The Corporation's Fiscal Policies allow, with certain restrictions, the Corporation to enter into certain derivative financial instruments called interest rate swap agreements, or swaps. The Corporation enters into these swaps with various counter-parties to achieve a lower overall cost of funds for certain bond issuances. These agreements can be negotiated whereby the Corporation pays the counter-party a fixed interest rate in exchange for a variable interest rate payment from the counter-party, or vice-versa. The swap agreements are negotiated to achieve the financing objectives of the Corporation. The swaps are stated at fair value. The change in the fair value of the swaps is recorded as deferred inflows or deferred outflows or as investment revenue.

### Operating Revenues and Expenses
The Corporation was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the Corporation into mortgage loans to qualified housing sponsors and to certain individuals. The Corporation's primary purpose is to borrow funds in the bond market and to use those funds to make single-family and multi-family mortgages and loans. Its primary operating revenue is derived from the interest income and fees from those mortgages and loans and on the invested proceeds from the bond issues. Additionally, the Corporation's statutory purpose includes providing financial assistance programs for rental subsidies to tenants of various housing developments. The Corporation records all revenues from mortgages and loans, investments, rental activities, and externally funded programs as operating revenues. The primary costs of providing these programs are recorded as operating expenses.

### Income Taxes
The Corporation is exempt from federal and state income taxes.

## 3 CASH AND INVESTMENTS

Cash consists of demand deposits, time deposits and cash held in trust. The carrying amount of the Corporation's cash is restricted by bond resolutions, contractual agreements, and statutory agreements. A summary of the Corporation's cash is shown below (in thousands):

| | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Restricted cash | $ 32,325 | $ 21,407 |
| Unrestricted | 41,086 | 37,811 |
| Carrying amount | $ 73,411 | $ 59,218 |
| Bank Balance | $ 76,107 | $ 62,323 |

The fair value of debt security investments by contractual maturity is shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

| | Investment Maturities (In Years) | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 1 | 1-5 | 6-10 | More Than 10 | June 30, 2011 | June 30, 2010 |
| Bank investment contracts | $ - | $ 49,002 | $ - | $ - | $ 49,002 | $ 101,004 |
| U. S. Treasury securities | 12,013 | 5,160 | - | - | 17,173 | 22,601 |
| Securities of U. S. Government agencies and corporations | 7,758 | 2,328 | 142 | 7 | 10,235 | 8,336 |
| Asset-backed securities | 227 | - | - | - | 227 | 313 |
| Certificates of deposit | 3,000 | - | - | - | 3,000 | - |
| Negotiable certificates of deposit | 3,300 | - | - | - | 3,300 | - |
| Commercial paper & medium-term notes | 22,052 | 1,599 | - | 1,400 | 25,051 | 42,759 |
| Guaranteed investment contracts | - | - | - | - | - | - |
| Money market funds | 741,566 | - | - | - | 741,566 | 759,942 |
| Subtotal | $ 789,916 | $ 58,089 | $142 | $ 1,407 | 849,554 | 934,955 |
| GeFONSI pool | | | | | 512,553 | 454,650 |
| Total AHFC Portfolio | | | | | $ 1,362,107 | $ 1,389,605 |

**Restricted Investments**

The carrying amount of the Corporation's investments, a majority of which are restricted by bond resolutions, contractual agreements, and statutory agreements, is shown below (in thousands):

| | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Restricted investments | $ 755,984 | $ 800,987 |
| Unrestricted | 606,123 | 588,618 |
| Carrying amount | $ 1,362,107 | $ 1,389,605 |

**Realized Gains and Losses**

The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current period may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments included in the table below takes into account all changes in fair value (including purchases and sales) that occurred during the period. A summary of the gains and losses is shown below (in thousands):

| | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Ending unrealized holding gain | $ 12,971 | $ 5,265 |
| Beginning unrealized holding gain | 5,265 | 1,937 |
| Net change in unrealized holding gain | 7,706 | 3,328 |
| Net realized gain (loss) | 60 | 2,989 |
| Net increase (decrease) in fair value | $ 7,766 | $ 6,317 |

**Deposit and Investment Policies**

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested. All funds are classified as trust or non-trust, and this determines the applicable investment guidelines used by staff when making investment decisions.

The Corporation's Fiscal Policies provide investment guidelines for non-trusted funds. Funds are invested according to anticipated use: those that must remain immediately available to provide working capital are invested in short-term, highly liquid securities, while those not expected to be used in the short-term are invested in longer-term securities.

The following securities are eligible for investment under the Corporation's fiscal policies:

- Obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States;
- Obligations of U.S. Government-sponsored agencies, including mortgage-backed securities, that are not backed by the full faith and credit of the U.S. Government;
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of, and deposits with, any bank the short-term obligations of which have been rated at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch;
- Deposits in and investments of a commercial bank or credit union which are fully insured by the FDIC or NCUA or, to the extent not insured by the FDIC or NCUA, provide for the pledge of collateral maintained at a minimum level of 105% and valued at least monthly;
- Debt obligations, other than those that do not have a fixed par value or terms that do not promise a fixed dollar amount at maturity or call date, rated at least "AA" by S&P or "Aa" by Moody's or "AA" by Fitch if maturing in excess of one year, and "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Asset-backed securities, other than commercial paper and those that do not have a fixed par value or terms that do not promise a fixed dollar amount at maturity or call date, rated at least "AA" by S&P or "Aa" by Moody's or "AA" by Fitch;
- Commercial paper, including asset-backed commercial paper, rated at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch;
- Repurchase agreements (repos) with a corporation or other entity which has long-term debt ratings of at least "A" by S&P or "A" by Moody's or "A" by Fitch or short-term ratings of at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch and where collateral is maintained at a minimum level of 102%, valued on a daily basis;
- Money market funds which are rated at least "AAm" or "AAm-G" by S&P or "Aa" by Moody's or "V-1+" by Fitch;
- Investment agreements or guaranteed investment contracts with an insurance company, bank or other financial institution having an outstanding unsecured long-term obligations rating, or a claims paying or investment agreement rating of at least "AA" by S&P or "Aa" 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 "F1" by Fitch;
- Floating rate notes issued by entities having outstanding unsecured long-term obligations rated "AA" by S&P or "Aa" by Moody's or "AA" by Fitch, or, if the term of the floating rate note is one year or less, having outstanding short-term obligations rated at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch; with interest rates subject to adjustment at least every 100 days; and with a maximum maturity of three years or less, or an optional tender available to bondholders no less frequently than every interest rate reset date;
- Adjustable rate funds, provided they are rated "AAAf" credit and "S-1" volatility by S&P and "Aaa" by Moody's;
- International Bank for Reconstruction & Development debt obligations rated "AAA" by S&P or "Aaa" by Moody's or "AAA" by Fitch.

Trusted funds are invested according to the terms outlined in their respective indentures or governing agreements, which generally mandate the purchase of relatively short-term, high-quality, fixed income securities. In those rare instances, if any, where an indenture or governing agreement is less restrictive than the Corporation's fiscal policies for non-trust funds, the investment will be made in accordance with the more restrictive fiscal policies.

**Credit Risk**

Credit risk is the risk of loss due to the failure of the security or backer. The Corporation mitigates its credit risk by limiting investments to those permitted in its Fiscal Policies and relevant governing agreements, diversifying the investment portfolio, and pre-qualifying firms with which the Corporation administers its investment activities.

The credit quality ratings of the Corporation's investments as of June 30, 2011, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). $17,173,000 of U.S. Treasury securities and securities of agencies and corporations which are explicitly guaranteed by the U.S. Government are not considered to have credit risk and therefore, are not included in the summary.

The credit quality ratings for the Corporation's investment in the GeFONSI pool are at the end of this footnote.

| | Moody's | S & P | Investment Fair Value |
|---|---|---|---|
| Securities of U. S. Government agencies and Corporations: | | | |
| | Aaa | AAA | $ 6,086 |
| Asset-backed securities: | | | |
| | Aaa | AAA | 227 |
| Negotiable certificates of deposit: | | | |
| | P-1 | A-1+ | - |
| | -- | AAA | 1,200 |
| | | | 1,200 |
| Commercial paper, medium-term notes: | | | |
| | -- | A+ | 1,400 |
| | A1 | AA- | 264 |
| | A1 | AA+ | - |
| | Aa1 | AAA | - |
| | Aa1 | A+ | 154 |
| | Aa1 | AA | - |
| | Aa1 | AA- | - |
| | Aa2 | AA- | 106 |
| | Aa2 | AA | 52 |
| | Aa2 | AA+ | 104 |
| | Aa2 | A+ | - |
| | Aa3 | A- | 100 |
| | Aa3 | AA- | 264 |
| | Aa3 | A+ | 158 |
| | Aaa | AAA | 1,261 |
| | Aaa | -- | 253 |
| | Aaa | A+ | 100 |
| | P-1 | A-1+ | 6,304 |
| | P-1 | A-1 | 13,031 |
| | | | 23,551 |
| Money market funds: | | | |
| | -- | AAAm | 741,566 |
| Unrated investments: | | | |
| Bank investment contracts | | | 49,002 |
| Certificates of deposit | | | 3,000 |
| Commercial paper | | | 1,500 |
| Negotiable certificates of deposit | | | 2,100 |
| U. S. government agency securities | | | 4,149 |
| | | | 59,751 |
| | | | $ 832,381 |

**Concentration Risk**
Concentration risk is the risk of loss attributed to the magnitude of the Corporation's investments in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for trust investments. The following table details the maximum concentration limits for non-trust investments as outlined in the Corporation's fiscal policies. Under certain conditions, the fiscal policies permit investments in excess of these limits. For more information, please see the Corporation's fiscal policies at: http://www.ahfc.state.ak.us/financials/fiscal_policies.cfm

| Investment Type | Investment | Issuer Limit |
|---|---|---|
| General obligations of the United States | 100% | 100% |
| Securities of U.S. Government agencies and corporations | 65% | 35% |
| Corporate and non-corporate (including the following): | 60% | 5% |
| • Adjustable rate funds | | |
| • Bank investment contracts | | |
| • Certificates of deposit | | |
| • Commercial paper & medium-term notes | | |
| • Deposits in and investments of a commercial bank or credit union | | |
| • Floating or variable rate notes | | |
| • Guaranteed investment contracts | | |
| • Money market funds | | |
| • Repurchase agreements | | |
| Mortgage and asset-backed securities | 20% | 5% |

**Investment Holdings Greater than Five Percent of Total Portfolio**
The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's Fiscal Policies and trusted investments which have no established concentration limits. Investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, and other pooled investments are excluded from this summary. As of June 30, 2011, the Corporation had investment balances greater than 5 percent of the Corporation's total investments with the following issuers (in thousands).

| Issuer | Investment Fair Value | Percentage of Total Portfolio |
|---|---|---|
| GeFONSI Pool | $ 512,553 | 37.63 % |
| Fidelity Prime | 316,690 | 23.25 |
| Federated Investment Prime | 254,648 | 18.70 |
| GSE Global Escrow Agreement | 129,003 | 9.47 |

**Custodial Credit Risk**
The Corporation assumes levels of custodial credit risk for its deposits with financial institutions, bank investment agreements, and investments. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. For bank investment agreements and investments, custodial credit risk is the risk that, in the event of failure of the custodian or counterparty holding the investment, the Corporation will not be able to recover the value of the investment. The Corporation has not established a formal custodial credit risk policy for its investments.

Of the Corporation's $76,107,000 bank balance at June 30, 2011, cash deposits in the amount of $10,946,000 were uninsured and uncollateralized. Additional cash deposits in the amount of $46,065,000 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name.

Of the Corporation's $1,362,107,000 investments at June 30, 2011, investments in the amount of $107,988,000 were uninsured, unregistered, and held by the counterparty or its agent, but not in the Corporation's name.

**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. For non-trust investments, the Corporation mitigates interest rate risk by structuring its investment maturities to meet cash requirements (including corporate operations), thereby avoiding the need to sell securities in the open market prior to maturity. For investments held in trust, investment maturities are structured to meet cash requirements as outlined in the bond indentures and contractual and statutory agreements.

The GeFONSI pool investment interest rate risk details are at the end of this footnote.

**Modified Duration**

Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Corporation's trusted and non-trusted investments (in thousands) with their modified duration as of June 30, 2011:

| | Investment Fair Value | Modified Duration |
|---|---|---|
| Bank investment contracts | $ 49,002 | - |
| U. S. Treasury securities: | | |
| Treasury coupon securities | 15,802 | 1.485 |
| Treasury discounts | 1,371 | 0.212 |
| Securities of U. S. Government agencies and corporations: | | |
| Federal agency discounts | 6,999 | 0.040 |
| Federal agency coupon securities | 3,087 | 1.615 |
| Federal agency pass through securities | 149 | 3.721 |
| Asset-backed securities | 227 | - |
| Certificates of deposit | 3,000 | 0.391 |
| Negotiable certificates of deposit | 3,300 | 0.073 |
| Commercial paper & medium-term notes: | | |
| Commercial paper discounts | 20,731 | 0.042 |
| Corporate bonds | 104 | 3.547 |
| Medium-term notes | 2,616 | 1.125 |
| Municipal bonds | - | - |
| Floating rate notes | 1,600 | 11.028 |
| Banker's Acceptances | - | - |
| Guaranteed investment contracts | - | - |
| Money market funds | 741,566 | - |
| | $ 849,554 | |
| Portfolio modified duration | | 0.039 |

## Investment in GeFonsi Pool

The Corporation invests in the State's internally managed General Fund and Other Non Segregated Investments Pool (GeFONSI). The GeFONSI consists of investments in the State's internally managed Short-term and Intermediate-term Fixed Income Pools. Actual investing is performed by investment officers in the State's Department of Revenue, Treasury Division. The complete financial activity of the funds is shown in the Comprehensive Annual Financial Report available from the Division of Finance in the Department of Administration.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type.

The accrual basis of accounting is used for investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature.

At June 30, 2011, the Corporation's share of pool investments was as follows (in thousands):

| | Fair Value | | |
|---|---|---|---|
| **Investment Type** | **Short-term Fixed Income Pool** | **Intermediate-term Fixed Income Pool** | **Total** |
| Commercial Paper | $ 21,375 | $ 795 | $ 22,170 |
| Corporate Bonds | 94,549 | 40,586 | 135,135 |
| Mortgage-backed | 4,389 | 8,027 | 12,416 |
| Other Asset-backed | 94,861 | 3,772 | 98,633 |
| Overnight Sweep Account (LMCS) | 2,550 | - | 2,550 |
| U.S. Government Agency | 5,275 | 10,595 | 15,870 |
| U.S. Gov. Agency Discount Notes | 7,817 | - | 7,817 |
| U.S. Treasury Bills | 44,689 | - | 44,689 |
| U.S. Treasury Notes | - | 158,507 | 158,507 |
| U.S. Treasury Strip | - | 145 | 145 |
| Yankees: | | | |
| Corporate | 1,867 | 6,721 | 8,588 |
| Government | - | 1,796 | 1,796 |
| Total Invested Assets | 277,372 | 230,944 | 508,316 |
| Pool related net assets (liabilities) | 235 | 4,002 | 4,237 |
| Net Invested Assets | $ 277,607 | $ 234,946 | $ 512,553 |

## Interest Rate Risk – GeFonsi Pool

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2011, the expected average life of individual fixed rate securities ranged from one day to one year and the expected average life of floating rate securities ranged from eight days to fourteen years.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the effective duration calculation.

Intermediate-term Fixed Income Pool

Through its investment policy, Treasury manages its exposure to fair value losses arising from increasing interest rates by limiting effective duration of the Intermediate-term Fixed Income Pool to the following:

> Intermediate-term Fixed Income Pool - ± 20% of the Merrill Lynch 1-5 year Government Bond Index. The effective duration for the Merrill Lynch 1-5 year Government Bond Index at June 30, 2011, was 2.54 years.

At June 30, 2011, the effective duration by investment type was as follows:

| | **Intermediate-term Fixed Income Pool** |
|---|---|
| Commercial Paper | 0.05 |
| Corporate Bonds | 2.01 |
| Mortgage-Backed | 1.52 |
| Other Asset-Backed | 1.08 |
| U.S. Treasury Notes | 3.09 |
| U.S. Treasury Strip | 6.37 |
| U.S. Government Agency | 2.65 |
| Yankees: | |
| Corporate | 2.28 |
| Government | 1.92 |
| **Portfolio Effective Duration** (in years) | **2.53** |

### Credit Risk – GeFonsi Pool

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations.

Treasury's investment policy has the following limitations with regard to credit risk:

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

Intermediate-term Fixed Income Pool investments are limited to securities with a long-term credit rating of at least Baa3 or equivalent and securities with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

At June 30, 2011, the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

| Investment Type | Rating | Short-term Fixed Income Pool | | Intermediate Term Fixed Income Pool | |
|---|---|---|---|---|---|
| Commercial Paper | A-1 | 6.95 | % | - | % |
| Commercial Paper | Not Rated | 0.75 | | 0.31 | |
| Corporate Bonds | AAA | 23.65 | | 10.25 | |
| Corporate Bonds | AA | 1.45 | | 1.07 | |
| Corporate Bonds | A | 3.20 | | 3.20 | |
| Corporate Bonds | BBB | - | | 1.39 | |
| Corporate Bonds | Not Rated | 5.78 | | - | |
| Mortgage-backed | AAA | 1.58 | | 2.79 | |
| Mortgage-backed | AA | - | | 0.06 | |
| Mortgage-backed | A | - | | 0.02 | |
| Mortgage-backed | Not Rated | - | | 0.28 | |
| Other Asset-backed | AAA | 30.49 | | 1.32 | |
| Other Asset-backed | A | 0.07 | | - | |
| Other Asset-backed | CCC | - | | 0.02 | |
| Other Asset-backed | Not Rated | 3.62 | | - | |
| U.S. Government Agency | AAA | 1.90 | | 3.47 | |
| U.S. Government Agency Discount Notes | Not Rated | 2.82 | | 0.69 | |
| U.S. Treasury Bills | AAA | 16.10 | | - | |
| U.S. Treasury Notes | AAA | - | | 62.13 | |
| U.S. Treasury Strip | AAA | - | | 0.06 | |
| Yankees: | | | | | |
| Corporate | AAA | - | | 0.98 | |
| Corporate | AA | 0.49 | | 1.02 | |
| Corporate | A | 0.11 | | 0.40 | |
| Corporate | BBB | - | | 0.23 | |
| Corporate | Not Rated | 0.07 | | - | |
| Government | AA | - | | 0.65 | |
| Government | A | - | | 0.01 | |
| Government | Not Rated | - | | 0.05 | |
| No Credit Exposure | | 0.97 | | 9.60 | |
| | | 100.00 | % | 100.00 | % |

## Concentration of Credit Risk – GeFonsi Pool

Treasury's policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool's holdings in corporate bonds of any one company or affiliated group.

At June 30, 2011, the fund did not have more than five percent of their investments in any one company or affiliated group.

## 4 INTERFUND RECEIVABLE/PAYABLE

A summary of the interfund receivable/payable balance is shown below (in thousands):

| | | Due From | | | |
|---|---|---|---|---|---|
| Due To | | Administrative Fund | Energy Programs | Other Non Major Funds | Total |
| | Administrative Fund | $ - | $ 14,123 | $ 27,455 | $ 41,578 |
| | Energy Programs | - | - | - | - |
| | Other Non Major Funds | 49,963 | - | - | 49,963 |
| | Total | $ 49,963 | $ 14,123 | $ 27,455 | $ 91,541 |

The balance of $49,963,000 due to the Other Non-Major Funds from the Administrative Fund resulted primarily from monies belonging to these funds being deposited in an Administrative Fund account to obtain a greater rate of return.

The balance of $14,123,000 due to the Administrative Fund from the Energy Programs resulted primarily from expenditures paid by the Administrative Fund on behalf of the Energy Programs.

Of the $27,455,000 due from the Other Non-Major Funds to the Administrative Fund, $2,392,000 resulted from an allocation of management and bookkeeping fees mandated by HUD.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made.

## 5 MORTGAGE LOANS, NOTES AND OTHER LOANS

A summary of mortgage loans, notes and other loans is shown below (in thousands):

| | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Mortgage loans | $ 2,535,633 | $ 2,763,089 |
| Multifamily loans | 225,662 | 216,672 |
| Other notes receivable | 88,361 | 88,448 |
| | 2,849,656 | 3,068,209 |
| Less: | | |
| Allowance for losses | (90,145) | (96,956) |
| Net Mortgage loans, notes and other loans | $ 2,759,511 | $ 2,971,253 |

Other notes receivable include monies due to AHFC for various unconventional loan programs and for monies that weren't expended by grant recipients.

Other supplemental loan information is summarized in the following table (in thousands):

| | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Delinquencies and foreclosures: | | |
| Loans delinquent 30 days or more | $ 141,825 | $ 159,120 |
| Foreclosures during period | 16,824 | 13,775 |
| Loans in foreclosure process | 20,925 | 21,291 |
| Mortgage-related commitments: | | |
| To purchase mortgage loans | 73,287 | 150,455 |

## 6 INSURANCE AGREEMENTS

The Corporation has obtained private mortgage insurance, credit insurance, or guarantees on certain mortgages and loans. The agreements protect the Corporation to varying degrees against losses arising from the disposition of the related collateral obtained through foreclosure or repossession, as well as the costs of obtaining title to, maintaining, and liquidating the collateral. The Corporation is exposed to losses on disposition in the event the insurers or guarantors are unable or refuse to meet their obligations under these agreements.

## 7 LOAN SELF INSURANCE PROGRAM

The Corporation, for the purpose of insuring itself against losses which might occur as a result of mortgages purchased under various loan programs, collects insurance premiums from the borrowers. The premiums are administered by the management of the Corporation and included in the Administrative Fund in the accompanying financial statements.

## 8 DIRECT FINANCING LEASES

In July 1997, the Corporation purchased an office building in downtown Anchorage with its Administrative Fund assets for approximately $26 million. The building is part of the Corporation's State Lease Building Program and has been leased to the State of Alaska for occupancy by its departments and agencies located in Anchorage. The State has the option to purchase the building at the end of the lease for $1. In December 1999, the Corporation issued the State Building Lease Bonds, Series 1999, in the amount of $40,000,000 to finance the purchase. The lease of the building to the State has been recorded as a direct financing lease.

In May 2005, the Corporation issued its General Housing Purpose Bonds, 2005 Series C, to defease $16,485,000 of the State Building Lease Bonds, Series 1999. As a result, the liability of these bonds has been reduced, and the lease balance was decreased by $1,792,000.

In fiscal year 2007 the Corporation began constructing a parking garage in downtown Anchorage with its Administrative Fund assets. The cost of the garage at June 30, 2011 was $45,000,000. The garage was placed in service in September 2008. The garage has been leased to the State of Alaska for use by its departments and agencies located in Anchorage. The State has the option to purchase the garage at the end of the lease for $1. In September 2007, the Corporation issued the State Capital Project Bonds, Series 2007 A. $37,400,000 of this issue was to finance the purchase of the parking garage. The lease of the garage to the State has been recorded as a direct financing lease.

The following table lists the components of the net investment in direct financing leases and shows the future minimum payments under the lease for the next five years and thereafter (in thousands):

| | Future Minimum Payments Due | | |
|---|---|---|---|
| **12 Months Ending June 30** | **Parking Garage** | **Building** | **Total** |
| 2012 | $ 3,304 | $ 3,467 | $ 6,771 |
| 2013 | 3,304 | 3,467 | 6,771 |
| 2014 | 3,304 | 3,467 | 6,771 |
| 2015 | 3,304 | 3,467 | 6,771 |
| 2016 | 3,304 | 3,467 | 6,771 |
| Thereafter | 39,640 | 3,467 | 43,107 |
| Gross payments due | 56,160 | 20,802 | 76,962 |
| Less: Unearned revenue | (16,559) | (2,927) | (19,486) |
| Net investment in direct financing lease | $ 39,601 | $ 17,875 | $ 57,476 |

# 9 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 and a summary of balances are shown below (in thousands):

| | July 1, 2010 | Additions | Reductions | June 30, 2011 |
|---|---|---|---|---|
| **Non-Depreciable Capital Assets:** | | | | |
| Land | $ 13,753 | $ - | $ - | $ 13,753 |
| Construction in progress | 2,714 | 4,131 | (4,706) | 2,139 |
| Total Non-Depreciable | 16,467 | 4,131 | (4,706) | 15,892 |
| **Depreciable Capital Assets:** | | | | |
| Buildings | 206,786 | 16,700 | - | 223,486 |
| Computers & Equipment | 1,625 | 108 | (90) | 1,643 |
| Leasehold Improvements | 88 | - | - | 88 |
| Vehicles | 2,062 | 86 | (106) | 2,042 |
| Less: Accumulated depreciation | | | | |
| Buildings | (111,271) | (6,754) | - | (118,025) |
| Computers & Equipment | (1,150) | (250) | 90 | (1,310) |
| Leasehold Improvements | (88) | - | - | (88) |
| Vehicles | (1,760) | (106) | 106 | (1,760) |
| Total Depreciable, Net | 96,292 | 9,784 | - | 106,076 |
| **Total Capital Assets, Net** | $ 112,759 | $ 13,915 | $ (4,706) | $ 121,968 |

In March 2011, proceeds from the State Capital Project Bonds 2011 Series A were used to purchase the Corporation's headquarters building. The depreciable capital asset is shown in the Administrative Fund.

The depreciation expense charged by the Corporation was $7,110,000 for the year ended June 30, 2011. The Corporation is obligated under contracts and other commitments to purchase and/or modernize certain fixed assets. The total commitment, including amounts to be funded by third parties, was $5,551,000 at June 30, 2011.

# 10 BONDS AND NOTES PAYABLE

With the exception of the Veterans Mortgage Program Bonds, the Corporation's obligations are not a debt of the State and the State is not directly liable thereon. The Veterans Mortgage Program Bonds and Notes are backed by the full faith and credit of the State. All of the bonds and notes are secured, as described in the applicable agreements, by the revenues, monies, investments, mortgage loans, and other assets in the funds and accounts established by the respective security agreements. A substantial portion of the assets of the Corporation are pledged to the outstanding obligations of the Corporation.

The Corporation has authorization to issue Draw Down bonds in the amount of $900,000,000 for the purpose of preserving private activity bond volume capacity and to refund certain outstanding obligations of the Corporation. Only $300,000,000 of these bonds can be outstanding at any one time. As of June 30, 2011, there are no draw down bonds outstanding.

In December 2009, the Corporation issued Mortgage Revenue Bonds Series 2009 A in the amount of $193,100,000. The bonds are general obligations of the Corporation secured by program obligations and by amounts on deposit in the 2009 Series A Escrow Fund. These bonds were issued under the federal New Issue Bond Program. The proceeds of the bonds are held in an escrow account until being converted into long term fixed rate bonds with the proceeds being used to buy mortgages. As of June 30, 2011, $64,350,000 of these bonds had been converted. The original program requirements were that if the bonds have not been converted by December 31, 2010, they were subject to mandatory redemption on February 1, 2011. On September 1, 2010 the deadline for converting the bonds was extended to December 31, 2011 and the mandatory redemption date to February 1, 2012.

Bonds and notes outstanding are shown below (in thousands):

| | Original Amount | June 30, 2011 | June 30, 2010 |
|---|---|---|---|
| **First-Time Home Buyer Program** | | | |
| ***Mortgage Revenue Bonds,Tax-Exempt:*** | | | |
| ● 1998 Series A | $ 70,000 | $ - | $ 14,585 |
| ● 1999 Series A1 & A2 | 200,000 | - | 56,205 |
| Unamortized discount | | - | (53) |
| ● 2000 Series A | 58,315 | - | 28,920 |
| ● 2000 Series C | 68,785 | - | 20,015 |
| ● 2001 Series A; 4.25% to 5.2%, due 2011-2031 | 32,740 | 6,040 | 14,665 |
| ● 2001 Series B; 5.0% to 5.23%, due 2011-2026 | 104,450 | 33,125 | 33,195 |
| Unamortized premium | | 20 | 37 |
| ● 2009 Series A-1; 3.07%, due 2027-2041 | 64,350 | 64,350 | - |
| ● 2010 Series A; 0.55% to 4.0%, due 2011-2027 | 43,130 | 42,005 | - |
| Unamortized discount | | (219) | - |
| ● 2010 Series B; 0.55% to 4.625%, due 2011-2040 | 35,680 | 35,305 | - |
| ***Mortgage Revenue Bonds,Taxable:*** | | | |
| ● 2009 Series A; Floating Rate*, 0.06% at June 30, 2011, due 2011 | 193,100 | 128,750 | 193,100 |
| Total Mortgage Revenue Bonds | 870,550 | 309,376 | 360,669 |
| ***Home Mortgage Revenue Bonds, Tax-Exempt:*** | | | |
| ● 2002 Series A; Floating Rate*; 3.0% at June 30, 2011, due 2032, 2036 | 170,000 | 165,800 | 167,060 |
| Unamortized swap termination penalty | | (12,130) | (12,639) |
| ● 2006 Series A; 3.95% to 5.0%, due 2011-2036 | 98,675 | 57,135 | 70,790 |
| Unamortized premium | | 422 | 586 |
| ● 2006 Series B; 4.0% to 5.0%, due 2011-2036 | 75,000 | 39,110 | 50,795 |
| Unamortized premium | | 287 | 403 |
| ● 2006 Series C; 4.4% to 5.5%, due 2011-2037 | 75,000 | 42,220 | 53,835 |
| Unamortized premium | | 682 | 864 |
| ● 2007 Series A, Floating Rate*; 0.07% at June 30, 2011 due 2017-2041 | 75,000 | 75,000 | 75,000 |
| Unamortized deferred debt refunding | | (1,740) | (1,807) |

| | Original Amount | June 30, 2011 | June 30, 2010 |
|---|---|---|---|
| • 2007 Series B; Floating Rate*; 0.08% at June 30, 2011, due 2017-2041 | 75,000 | 75,000 | 75,000 |
| Unamortized deferred debt refunding | | (1,740) | (1,807) |
| • 2007 Series C; 4.05% to 4.80% due 2011-2038 | 89,370 | 59,660 | 74,145 |
| • 2007 Series D; Floating Rate*; 0.06% at June 30, 2011, due 2017-2041 | 89,370 | 89,370 | 89,370 |
| Unamortized deferred debt refunding | | (2,133) | (2,215) |
| • 2008 Series A; 2.9%-5.40%, due 2011-2038 | 80,880 | 48,890 | 64,415 |
| • 2008 Series B; 2.95%-5.50%, due 2011-2038 | 80,880 | 60,880 | 73,845 |
| Unamortized discount | | (60) | (76) |
| • 2009 Series A; Floating Rate*; 0.05% at June 30, 2011, due 2020-2040 | 80,880 | 80,880 | 80,880 |
| Unamortized deferred debt refunding | | (1,346) | (1,392) |
| • 2009 Series B; Floating Rate*; 0.05% at June 30, 2011, due 2020-2040 | 80,880 | 80,880 | 80,880 |
| Unamortized deferred debt refunding | | (1,346) | (1,392) |
| • 2009 Series C; 1.5% to 5.35%; due 2011-2039 | 80,870 | 74,040 | 80,870 |
| Unamortized discount | | (37) | (42) |
| • 2009 Series D; Floating Rate*; 0.05% at June 30, 2011, due 2020-2040 | 80,870 | 80,870 | 80,870 |
| Unamortized deferred debt refunding | | (1,296) | (1,340) |
| Total Home Mortgage Revenue Bonds | 1,232,675 | 1,009,298 | 1,096,898 |
| **Veterans Mortgage Program Bonds and Notes:** | | | |
| ***Collateralized State Guaranteed Bonds and Notes, Tax-Exempt:*** | | | |
| • 1999 First Series | 110,000 | - | 28,255 |
| • 2000 First Series | 70,000 | - | 14,545 |
| • 2002 First Series; 4.95% to 5.55%, due 2011-2023 | 50,000 | 8,490 | 12,510 |
| • 2005 First Series; 4.8% due 2011-2035 | 15,000 | 6,290 | 9,340 |
| • 2006 First Series; 4.0% to 4.9%, due 2011-2037 | 190,000 | 176,760 | 181,005 |
| • 2007 & 2008 First Series, 3.45% to 5.25%, due 2012-2038 | 57,885 | 53,290 | 54,680 |
| Total Veterans Mortgage Program Bonds | 492,885 | 244,830 | 300,335 |
| **Other Housing Bonds:** | | | |
| ***Housing Development Bonds, Tax-Exempt:*** | | | |
| • 2002 Series A; 4.15% to 5.2%, due 2011-2022 | 8,440 | 2,510 | 2,675 |
| • 2002 Series B; 4.05% to 5.15%, due 2011-2022 | 8,690 | 5,880 | 6,255 |
| • 2002 Series C; 4.05% to 5.25%, due 2011-2032 | 70,000 | 58,815 | 60,310 |
| • 2004 Series A; 3.55% to 4.85%, due 2011-2030 | 33,060 | 27,795 | 28,650 |
| • 2004 Series B; 3.3% to 4.75%, due 2011-2032 | 52,025 | 41,045 | 42,565 |
| ***Housing Development Bonds, Taxable:*** | | | |
| • 2004 Series D; 4.35% to 5.6%, due 2011-2043 | 105,000 | 102,080 | 103,040 |
| Sub-Total Housing Development Bonds | 277,215 | 238,125 | 243,495 |

| | Original Amount | June 30, 2011 | June 30, 2010 |
|---|---|---|---|
| ***General Mortgage Revenue Bonds, Tax-Exempt:*** | | | |
| ● 2002 Series A; 3.7% to 5.0%, due 2011-2040 | 150,000 | 146,415 | 148,825 |
| Unamortized deferred debt refunding expense | | (1,021) | (1,065) |
| Unamortized premium | | 462 | 496 |
| ***Government Purpose Bonds, Tax-Exempt:*** | | | |
| ● 1997 Series A, Floating Rate*, monthly payments, 0.03% at June 30, 2011, due 2027 | 33,000 | 14,600 | 14,600 |
| ● 2001 Series A, Floating Rate*, 0.02% at June 30, 2011, due 2011-2030 | 76,580 | 59,945 | 61,950 |
| Unamortized swap termination penalty | | (7,711) | (8,108) |
| ● 2001 Series B, Floating Rate*, 0.02% at June 30, 2011, due 2011-2030 | 93,590 | 73,255 | 75,700 |
| Total Other Housing Bonds | 630,385 | 524,070 | 535,893 |
| **Non-Housing Bonds:** | | | |
| ***State Capital Project Bonds, Tax-Exempt:*** | | | |
| ● 2002 Series A; 3.5% to 5.0%, due 2011 | 32,905 | 4,380 | 8,525 |
| Unamortized premium | | - | 95 |
| ● 2002 Series C; Floating Rate*, 0.05% at June 30, 2011, due 2012-2022 | 60,250 | 60,250 | 60,250 |
| ● 2006 Series A; 3.5% to 5.0%, due 2012-2040 | 100,890 | 93,880 | 95,510 |
| Unamortized discount | | (1,334) | (1,410) |
| Unamortized premium | | 1,275 | 1,424 |
| ● 2007 Series A & B; 4.0% to 5.25%, due 2011-2029 | 95,525 | 88,210 | 91,355 |
| Unamortized discount | | (60) | (65) |
| Unamortized premium | | 2,405 | 2,795 |
| Unamortized deferred debt refunding expense | | (2,628) | (2,770) |
| ● 2011 Series A; 2.0% to 5.0%, due 2011-2027 | 105,185 | 105,185 | - |
| Unamortized discount | | (119) | - |
| Unamortized premium | | 3,871 | - |
| ***General Housing Purpose Bonds, Tax-Exempt:*** | | | |
| ● 2005 Series A; 3.25% to 5.25%, due 2011-2041 | 143,235 | 137,450 | 138,570 |
| Unamortized premium | | 3,142 | 3,296 |
| ● 2005 Series B; 3.55% to 5.25%, due 2011-2030 | 147,610 | 126,830 | 130,610 |
| Unamortized deferred debt refunding expense | | (9,340) | (10,023) |
| Unamortized premium | | 3,532 | 4,030 |
| ● 2005 Series C; 4.0% to 5.0%, due 2012-2017 | 16,885 | 16,610 | 16,660 |
| Total Non-Housing Bonds | 702,485 | 633,539 | 538,852 |
| **Total Bonds and Notes Payable** | $ 3,928,980 | $ 2,721,113 | $ 2,832,647 |

Note: Debt service payments on the above mentioned bonds and notes are semi-annual unless otherwise mentioned.

*Interest rates on the annotated variable-rate bonds are established by the Remarketing Agents on each Rate Determination Date.

**Redemption Provisions**
The bonds and notes are generally subject to certain early-redemption provisions, both mandatory and at the option of the Corporation. The Corporation redeems debt, pursuant to the provisions of the related agreements which permit surplus revenues, resulting primarily from mortgage loan prepayments, to be used to retire the obligations at par. The Corporation also issues new debt whose proceeds are used to immediately redeem previously issued debt, called current refundings. The related discounts and costs of issuance of the old debt is included in a deferred debt refunding account and amortized as interest expense. The Corporation may call some bonds at a premium using any monies once bonds reach a certain age and may also use a clean-up call to redeem certain bonds once they reach 15% of issuance.

During the year ended June 30, 2011, the Corporation made $253,120,000 special revenue redemptions and no current refundings. The Corporation made $207,035,000 special revenue redemptions and $80,870,000 current refundings during fiscal year 2010.

During the year ended June 30, 2011, the Corporation converted $64,350,000 under the federal New Issue Bond Program, (NIBP). There were no conversions under this program during fiscal year 2010.

**Debt Service Requirements****
For all mortgage bonds and notes in the preceding schedules, the Corporation's debt service requirements through 2016 and in five year increments thereafter to maturity are shown below (in thousands):

| 12 Months Ending | Total Debt Service | | |
|---|---|---|---|
| June 30 | Principal | Interest* | Total |
| 2012 | $ 183,095 | $ 114,554 | $ 297,649 |
| 2013 | 63,380 | 112,133 | 175,513 |
| 2014 | 61,220 | 109,675 | 170,895 |
| 2015 | 56,240 | 107,291 | 163,531 |
| 2016 | 58,315 | 104,943 | 163,258 |
| 2017-2021 | 372,925 | 482,902 | 855,827 |
| 2022-2026 | 432,545 | 390,701 | 823,246 |
| 2027-2031 | 550,120 | 276,530 | 826,650 |
| 2032-2036 | 488,810 | 156,997 | 645,807 |
| 2037-2041 | 459,195 | 42,362 | 501,557 |
| 2042-2043 | 23,430 | 1,005 | 24,435 |
| | $2,749,275 | $ 1,899,093 | $ 4,648,368 |

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at June 30, 2011

** Also see Note 11 – Derivatives.

**Conduit Debt**
From time to time, the Corporation has issued debt to assist private-sector entities in the acquisition or construction of facilities that help the Corporation fulfill its mission of making housing affordable for all Alaskans. The bonds are secured by the properties financed and are payable solely from rents and payments received on the underlying mortgage loans. Neither the Corporation nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements. A summary of the conduit bonds outstanding is shown below (in thousands):

| | June 30, 2011 | June 30, 2010 |
|---|---|---|
| **Revenue Bonds, 2010** | | |
| Birchwood Apartments Project | $ 1,009 | $ - |

# 11 DERIVATIVES

The Corporation entered into derivatives to reduce the overall cost of borrowing long-term capital and protect against the risk of rising interest rates. The Corporation's derivatives consist of interest rate swap agreements entered into in connection with its long-term variable rate bonds. The interest rate swaps are pay-fixed, receive-variable agreements, and were entered into at a cost less than what the Corporation would have paid to issue conventional fixed-rate debt.

The swaps are recorded and disclosed as either hedging derivatives or investment derivatives. The synthetic instrument method was used to determine whether the derivative was hedgeable or not. The fair values of the hedgeable derivatives and investment derivatives are presented in the Statement of Net Assets, either as a derivative liability (negative fair value amount) or as a derivative asset (positive fair value amount). If a swap changes from a hedgeable derivative to an investment derivative, the hedge is considered terminated and the accumulated change in fair value is no longer deferred but recognized as a revenue item.

The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by the Corporation, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap asset or liabilities in the marketplace if a swap were to be terminated.

The Corporation's interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, the Corporation would have to post collateral of up to 100 percent of the swap's fair value. As of June 30, 2011, the Corporation has not posted any collateral and is not required to post any collateral.

## Hedging Derivatives

The significant terms and credit ratings of the Corporation's hedging derivatives as of June 30, 2011, are shown below:

| Related Bond Issue | Effective Date | Fixed Rate Paid | Variable Rate Received | Swap Termination Date | Counterparty Credit Rating[7] |
|---|---|---|---|---|---|
| GP01A[1] | 12/01/08 | 2.4530 | 67% of 1M LIBOR[4] | 12/01/30 | A+/Aa3 |
| GP01B | 08/02/01 | 4.1427 | 67% of 1M LIBOR | 12/01/30 | A/A2 |
| E021A1[2] | 10/09/08 | 2.9800 | 70% of 3M LIBOR[5] | 06/01/32 | AAA/Aa1 |
| E021A2 | 10/09/08 | 3.4480 | 70% of 1M LIBOR | 12/01/36 | A/A2 |
| SC02C[3] | 12/05/02 | 4.3030 | SIFMA[6]+0.115% | 07/01/22 | AA-/Aa1 |
| E071AB | 05/31/07 | 3.7345 | 70% of 3M LIBOR | 12/01/41 | AAA/Aa1 |
| E071BD | 05/31/07 | 3.7200 | 70% of 3M LIBOR | 12/01/41 | AA-/Aa1 |
| E091A | 05/28/09 | 3.7610 | 70% of 3M LIBOR | 12/01/40 | A+/A1 |
| E091B | 05/28/09 | 3.7610 | 70% of 3M LIBOR | 12/01/40 | AAA/Aa1 |
| E091ABD | 05/28/09 | 3.7400 | 70% of 3M LIBOR | 12/01/40 | AA-/Aa1 |

1. Governmental Purpose Bonds
2. Home Mortgage Revenue Bonds
3. State Capital Project Bonds
4. London Interbank Offered Rate 1 month
5. London Interbank Offered Rate 3 month
6. Securities Industry and Financial Markets Municipal Swap Index
7. Standard & Poor's/Moody's

The change in fair value and ending balance of the hedging derivatives as of June 30, 2011, is shown below (in thousands). The fair value is reported as a deferred outflow / inflow of resources in the Statement of Net Assets.

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| Related Bond Issue | Notional Amounts | Present Values | Fair Values June 30, 2011 | Fair Values June 30, 2010 | Change in Fair Value |
|---|---|---|---|---|---|
| GP01A | $ 59,945 | $ 60,970 | $ (1,025) | $ (2,008) | $ 983 |
| GP01B | 73,255 | 85,883 | (12,628) | (14,848) | 2,220 |
| E021A1 | 45,800 | 48,269 | (2,469) | (3,493) | 1,024 |
| E021A2 | 120,000 | 124,797 | (4,797) | (6,965) | 2,168 |
| SC02C | 60,250 | 67,421 | (7,171) | (7,669) | 498 |
| E071AB | 143,622 | 165,440 | (21,818) | (27,723) | 5,905 |
| E071BD | 95,748 | 109,703 | (13,955) | (17,879) | 3,924 |
| E091A | 72,789 | 84,027 | (11,238) | (14,293) | 3,055 |
| E091B | 72,789 | 84,164 | (11,375) | (14,462) | 3,087 |
| E091ABD | 97,052 | 111,512 | (14,460) | (18,559) | 4,099 |
| Total | $841,250 | $ 942,186 | $ (100,936) | $ (127,899) | $ 26,963 |

As of June 30, 2011, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

| Fiscal Year Ending June 30 | VRDO Principal | VRDO Interest | Swap Net Payment | Total Payments |
|---|---|---|---|---|
| 2012 | $ 6,895 | $ 5,308 | $ 29,230 | $ 41,433 |
| 2013 | 12,825 | 5,223 | 28,945 | 46,993 |
| 2014 | 13,390 | 5,117 | 28,488 | 46,995 |
| 2015 | 13,955 | 5,006 | 28,010 | 46,971 |
| 2016 | 14,565 | 4,891 | 27,513 | 46,969 |
| 2017-2021 | 117,385 | 22,490 | 127,462 | 267,337 |
| 2022-2026 | 154,055 | 18,296 | 102,685 | 275,036 |
| 2027-2031 | 175,865 | 12,656 | 75,151 | 263,672 |
| 2032-2036 | 171,565 | 5,708 | 45,682 | 222,955 |
| 2037-2041 | 152,510 | 351 | 15,803 | 168,664 |
| 2042 | 8,240 | 3 | 147 | 8,390 |
| | $ 841,250 | $ 85,049 | $ 509,116 | $ 1,435,415 |

**Risks**

**a. Credit Risk**

As of June 30, 2011, the Corporation is not exposed to credit risk on any of the swaps because the swaps all have negative fair values. If interest rates rise and the fair value of the swaps becomes positive, the Corporation would be exposed to credit risk in the amount of the swaps' fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. The Corporation currently has swap agreements with five separate counterparties. Approximately 31% of the total notional amount of the swaps is held with one counterparty rated AAA/Aa1. Another 30% of the total notional amount of the swaps is held with one counterparty rated AA-/Aa1. Of the remaining swaps, one counterparty is rated A/A2, another counterparty is rated A+/A1, and the remaining counterparty is rated A+/Aa3, approximating 23%, 9%, and 7% respectively, of the total notional amount of the swaps.

**b. Interest Rate Risk**

The Corporation is exposed to interest rate risk on all of its interest rate swaps. As LIBOR or the SIFMA index decreases, the Corporation's net payment on the swaps increases.

**c. Basis Risk**

All of the Corporation's variable-rate bond interest payments are based on the tax-exempt SIFMA index. Therefore, the Corporation is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not fully offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and thus is not exposed to any basis risk. As of June 30, 2011, SIFMA was 0.09% and 1-month LIBOR was 0.1856%, resulting in a SIFMA/LIBOR ratio of 48.5%. The 3-month LIBOR was 0.2458%, resulting in a SIFMA/LIBOR ratio of 36.6%. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

**d. Termination Risk**

Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and the Corporation would be exposed to interest rate risk on the bond. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement, including downgrades and events of default.

In fiscal year 2009, three swaps were terminated because of bankruptcy events with the counterparties, resulting in the Corporation making termination payments totaling $22,181,000 to the counterparties. The Corporation replaced the swaps with new swaps that had provisions that resulted in a lower cost overall on the underlying debt. The termination payments were deferred and are being amortized to interest expense over the life of the bonds related to those terminated swaps.

**e. Rollover Risk**

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. The E021A swaps were set up in several tranches of various sizes that can be cancelled to parallel the redemption of debt from mortgage prepayments. In addition, the GP01A and GP01B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed to the unswapped portion of the debt.

## Investment Derivatives

The State Capital Project Bonds, 2002 Series B, were fully redeemed in fiscal year 2009, so the associated interest rate swap was no longer a hedging derivative and is accounted for as an investment derivative.

The significant terms and credit ratings of the Corporation's investment derivatives as of June 30, 2011, are shown below:

| Related Bond Issue | Effective Date | Fixed Rate Paid | Variable Rate Received | Swap Termination Date | Counterparty Credit Rating |
|---|---|---|---|---|---|
| SC02B | 12/05/02 | 3.77% | 70% of 1M LIBOR | 07/01/24 | AA-/Aa1 |

The change in fair value of the investment derivatives as of June 30, 2011, is shown below (in thousands) and is presented as a net change of hedge termination line in the Statement of Revenues, Expenses, and Changes in Net Assets.

| Related Bond Issue | Notional Amounts | Present Values | Fair Values June 30, 2011 | Fair Values June 30, 2010 | Change in Fair Value |
|---|---|---|---|---|---|
| SC02B | $ 14,555 | $ 16,513 | $ (1,958) | $ (2,368) | $ 410 |

**Credit Risk**

As of June 30, 2011, the Corporation was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, the Corporation would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. The counterparty on this swap is rated AA-/Aa1.

## 12 LONG TERM LIABILITIES

The activity for the year ended June 30, 2011 is summarized in the following schedule (in thousands):

| | July 1, 2010 | Additions | Reductions | June 30, 2011 | Due Within One Year |
|---|---|---|---|---|---|
| Total bonds and notes payable | $ 2,832,647 | $ 252,276 | $ (363,810) | $ 2,721,113 | $ 183,095 |
| Compensated absences | 4,641 | 2,840 | (2,668) | 4,813 | 2,011 |
| Other liabilities | 652 | 800 | (313) | 1,139 | 793 |
| Total long-term liabilities | $ 2,837,940 | $ 255,916 | $ (366,791) | $ 2,727,065 | $ 185,899 |

## 13 SHORT TERM DEBT

The Corporation has a commercial paper program. Commercial paper is issued and redeemed to meet the cash flow requirements of the Corporation's activities. Individual maturities may range from 2 to 270 days from date of issuance. The maximum aggregate outstanding principal balance authorized by the Board of Directors is $150,000,000.

| Yields issued during period | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Lowest | 0.21% | 0.25% |
| Highest | 0.59% | 1.25% |

Short term debt activity for the year ended June 30, 2011 is summarized in the following schedule (in thousands):

| | July 1, 2010 | Additions | Reductions | June 30, 2011 |
|---|---|---|---|---|
| Commercial paper | $150,000 | $ 625,639 | $ (688,639) | $ 87,000 |
| Unamortized discount | (110) | (385) | 471 | (24) |
| Commercial paper, net | $149,890 | $ 625,254 | $ (688,168) | $ 86,976 |

## 14 TRANSFERS

Transfers for the year ended June 30, 2011 are summarized in the following schedule (in thousands):

| | | From | | | |
|---|---|---|---|---|---|
| | | Administrative Fund | Energy Programs | Other Non-Major Funds | Total |
| To | Administrative Fund | $ - | $ - | $ 290,682 | $ 290,682 |
| | Energy Programs | 950 | - | - | 950 |
| | Other Non-Major Funds | 250,213 | 96 | 216,094 | 466,403 |
| | Total | $ 251,163 | $ 96 | $ 506,776 | $ 758,035 |

Transfers are used to (1) move funds between the Administrative Fund and the other Funds of the Corporation for financing mortgage related activities and to subsidize debt service payments, (2) to move mortgages from the Administrative Fund to the Bond Funds of the Corporation, (3) to move Corporate revenue to the Administrative Fund from the Energy Programs and Bond Funds, and (4) to record expenditures paid on behalf of the Energy Programs and the Bond Funds by the Administrative Fund.

# 15 OTHER CREDIT ARRANGEMENTS

For certain bond issues, the Corporation has entered into credit arrangements with various financial institutions to provide funds necessary to satisfy debt service or unpaid bond principal obligations. Such arrangements may contain covenants restricting the amendment of terms and redemption of bonds or notes, and setting the minimum combined fund equity of the Corporation and minimum debt service reserve fund balances. Varying commitment fees are required, generally ¼ to ½ of 1% per annum of the aggregate liability or commitment amount.

The Corporation had unused liquidity facilities or similar credit enhancement agreements as shown below (in thousands):

| | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Bond related liquidity facilities | $ 486,040 | $ 487,300 |
| Bond insurance | 1,009,750 | 1,067,205 |
| | $ 1,495,790 | $ 1,554,505 |

# 16 YIELD RESTRICTION AND ARBITRAGE REBATE

Most mortgages purchased with the proceeds of tax-exempt bonds issued by the Corporation are subject to interest-rate yield restrictions of 1.125% to 1.500% over the yield of the bonds. These restrictions are in effect over the lives of the bonds. Most of the non-mortgage investments made under the Corporation's tax-exempt bond programs 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. Following is a summary of excess earnings recorded and paid (in thousands):

| | June 30, 2011 | June 30, 2010 |
|---|---|---|
| Arbitrage expense | $ 542 | $ (572) |
| Arbitrage paid | 85 | 1,061 |
| Arbitrage rebate reimbursement | 31 | - |

# 17 STATE AUTHORIZATIONS AND COMMITMENTS

The Corporation uses its assets to fund certain housing and non-housing capital projects identified by the State. The aggregate amount expected to be funded by the Corporation was expressed by the following language of legislative intent included in the fiscal year 1996 capital appropriation bill, enacted in 1995:

"The Legislature intends to ensure the prudent management of the Alaska Housing Finance Corporation to protect its excellent debt rating by the nation's financial community and to preserve its valuable assets of the State. To accomplish its goal, the sum of withdrawals for transfer to the general fund and for expenditure on corporate funded capital projects should not exceed the Corporation's net income for the preceding fiscal year."

The projected amounts stated in the legislative intent language were based on the Corporation's financial operating plan and represent the total amount of anticipated State transfers and capital expenditures rather than projected "net income". The total state authorizations from FY1995–FY2011 were $1,548,383,000; payments up thru June 30, 2011 were $1,423,006,000, resulting in total remaining commitments of $125,377,000 as of June 30, 2011.

### Transfer Plan with the State

The 1998 Legislature authorized the Corporation to finance state capital projects through the issuance of up to $224,000,000 in bonds. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan. That legislation also extended the term of the Transfer Plan by stating the Legislature's intent that the Corporation transfer to the State (or expend on its behalf) an amount not to exceed $103,000,000 in each fiscal year through fiscal year 2006, again stating that, to protect the Corporation and its bond rating, in no fiscal year should such amount exceed the Corporation's net income for the preceding fiscal year. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The 2000 Legislature adopted legislation authorizing the issuance of bonds in sufficient amounts to fund the construction of various State capital projects, and extended the Transfer Plan (as described above) through fiscal year 2008. The 2002 Legislature authorized the issuance of capital project bonds for the renovation and deferred maintenance of the Corporation's Public Housing facilities. The 2004 Legislature adopted legislation authorizing the additional issuance of bonds in sufficient amounts to fund the construction of various State capital projects. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The Corporation has issued $196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, $74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, and $60,250,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and $45,000,000 principal amount of bonds under the State Capital Project agreement pursuant to the 2004 Act, and has completed its issuance authority under the Acts. The payment of principal and interest on these bonds will be included in future capital budgets of the Corporation. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan.

The Twenty-Third Legislature in 2003 enacted SCS HB 256 (the "2003" Act) which added language to the Alaska Statutes to modify and incorporate the Transfer Plan. The Corporation and the State view the 2003 Act as an indefinite, sustainable continuation of the Transfer Plan. As approved and signed into law by the Governor and modified by the Twenty-Fourth Legislature in 2006 with SB 236, the 2003 Transfer Plan calls for annual transfers that will not exceed the lesser of 75% of adjusted change in net assets for the fiscal year two years prior to the current fiscal year or $103,000,000 less debt service on certain State Capital Project Bonds, less any legislative appropriation of the Corporation's unrestricted, unencumbered funds other than appropriations of the Corporation's operating budget.

## Contributions to the State of Alaska or other State agencies

Since the inception of the Corporation, the State has contributed a total of $1,369,523,000 to the Corporation. Beginning in fiscal year 1986, the Corporation began a series of plans to transfer funds to or on behalf of the State. Following is a summary of the different types of transfers (in thousands):

| | June 30, 2011 | Cumulative Prior Fiscal Year | Total Payments to State |
|---|---|---|---|
| State debt repayment | $ - | $ 29,800 | $ 29,800 |
| Asset purchases | - | 252,300 | 252,300 |
| Dividends | - | 114,300 | 114,300 |
| Direct cash transfers | - | 631,653 | 631,653 |
| Other State appropriations | - | 302,654 | 302,654 |
| Non-Housing capital projects | 16,568 | 302,325 | 318,893 |
| Various bond proceeds disbursed | 3,781 | 308,634 | 312,415 |
| Total | $ 20,349 | $ 1,941,666 | $ 1,962,015 |

# 18 GRANTS

The Corporation paid grants to third parties for the following programs (in thousands):

| Program | June 30, 2011 |
|---|---|
| *Energy Programs:* | |
| ▪ ARRA State Energy Program | $ 1,695 |
| ▪ ARRA Weatherization Assistance Program | 2,025 |
| ▪ Energy Efficient Appliance Rebate | 235 |
| ▪ Energy Efficiency Monitoring Research | 1,188 |
| ▪ Energy Efficiency Conservation Block Grant | 1,542 |
| ▪ Energy Efficient Home Program | 55,000 |
| ▪ Low-Income Home Energy Assistance | 700 |
| ▪ Low Income Weatherization Assistance | 48,259 |
| Total Energy Programs | 110,644 |
| *Section 8 Vouchers Program* | 30,536 |
| *Other Housing Assistance Programs:* | |
| ▪ AMHTA Short Term Housing Assistance | - |
| ▪ ARRA Low Income Tax Credit | 2,604 |
| ▪ ARRA TCAP Home | 2,789 |
| ▪ Beneficiaries and Special Needs Housing | 2,781 |
| ▪ Denali Commission | 3,279 |
| ▪ Drug Elimination | 84 |
| ▪ Emergency Shelter Grant | 213 |
| ▪ Homeless Prevention and Rapid Re-Housing | 351 |
| ▪ HOME Investment Partnership | 3,516 |
| ▪ Homeless Assistance Program | 5,026 |
| ▪ Homeless Information Management System | 19 |
| ▪ Housing Loan Program | 5,845 |
| ▪ Housing Opportunities for Persons with AIDS | 630 |
| ▪ Low Income Tax Credit | - |
| ▪ Neighborhood Stabilization | 4,753 |
| ▪ Resident Opportunity and Support Service | 89 |
| ▪ ROSS Neighborhood Network | 39 |
| ▪ Section 8 Contract Administration | 6,377 |
| ▪ Senior Citizen Housing Development Grant | 5,237 |
| ▪ Shelter Plus Care | 689 |
| ▪ Special Needs Housing | 2,123 |
| ▪ Supplemental Housing Grant | 7,396 |
| ▪ Supportive Housing Grant Match | 1,062 |
| ▪ Technical Assistance Grant | 86 |
| Total Other Housing Assistance Programs | 54,988 |
| **Total Housing Grant Expenses** | 196,168 |
| ▪ Legislative Appropriations | 16,568 |
| **Total Non-Housing Capital Project Grants** | 16,568 |
| **Total Grants** | $ 212,736 |

In addition to grant payments made, the Corporation has advanced grant funds of $7,316,000 and committed to third parties a sum of $177,484,000 in grant awards at June 30, 2011.

# 19 OTHER PROGRAMS

Other programs include public-housing activities, energy conservation, and other activities not reported elsewhere. These programs are funded from a combination of corporate receipts and external sources.

### Housing Assistance Programs

Low Rent includes the following programs for various low-income housing facilities administered by the Corporation under contract with HUD:

- Low Rent Management
- Modernization/Capital Fund Programs

Section 8 Vouchers Program includes the following programs for tenant-based rental assistance administered by the Corporation under contract with HUD:

- Section 8 Moderate Rehabilitation
- Section 8 Vouchers

Affordable Housing Programs consist of Corporate owned low-income housing facilities at various locations and contract administration of HUD contracts directly with landlords:

- Project Based Section 8
- Section 8 Contract Administration

Other Housing Assistance Programs include the following HUD, federal, state, and Corporate funded activities:

- Beneficiaries & Special Needs Housing
- Denali Commission Housing Programs
- Drug Elimination Program
- Family Investment Center Grant
- Family Self Sufficiency Program (FSS)
- HOME Investment Partnerships Program (HOME)
- Homeless Assistance Program Grants
- Housing Opportunities for Persons with AIDS (HOPWA)
- Housing Preservation Grants
- Low Income Tax Credit Program
- Neighborhood Stabilization Program
- Resident Opportunity and Supportive Services
- ROSS Neighborhood Networks
- Senior Citizen Housing Development Grant Program
- Shelter Plus Care Program
- Supplemental Housing Grant Program
- Supportive Housing Grant Match
- Teacher Health Professional and Public Safety Housing Programs
- Technical Assistance Grants

### Energy Conservation Programs

- Energy Efficiency Monitoring Research
- Energy Efficient Home Program (Rebates)
- Low-Income Home Energy Assistance Program (LIHEAP)
- Low-Income Weatherization Program
- Research Information Center
- Residential Energy Rehab Program (Enhanced Weatherization)
- State Energy Program Special Projects
- State Energy Program

### AHFC's ARRA (American Recovery & Reinvestment Act of 2009) Capital Projects

Energy programs:

- Energy Efficiency and Conservation Block Grants
- Energy Efficient Appliance Rebate
- Energy Assurance / Smart Grid Resiliency (EA/SGR) (vetoed)
- State Energy Program
- Weatherization Program

Low rent programs:

- Capital Fund Program (CFP) - Competitive (not awarded)
- Capital Fund Program (CFP) - Formula

Other programs:

- Emergency Shelter Grants (ESG) – Homeless Prevention and Rapid Re-Housing Program
- HOME Investment Partnerships – Tax Credit Assistance Program (TCAP)
- Low-Income Housing Grants in Lieu of Tax Credits
- Project Based Rental Assistance (AHFC is not considered the Prime Recipient for this program; HUD is responsible for the Federal Report Requirements of the program.)

### Housing Units Owned, Managed or Administered

As of June 30, 2011, the Public Housing Division of the Corporation operates the following programs in 18 Alaskan communities:

| Program | Number of Units |
|---|---|
| Low Rent Conventional Housing | 986 |
| Low Rent Conventional Housing – Senior Units | 343 |
| Affordable Housing | 65 |
| Affordable Housing – Senior Units | 268 |
| Other Housing Units | 33 |
| Section 8 Vouchers – Housing Assistance: | |
| Housing Choice Vouchers | 4,415 |
| Single Room Occupancy | 70 |
| | 6,180 |

## 20 ENERGY AND WEATHERIZATION ENERGY EFFICIENCY PROGRAMS

The 2008 Legislature authorized funding for the Corporation to expand the existing Weatherization program by $200,000,000 and create the new Energy Rebate Program with $160,000,000 to help Alaskans make their homes more energy efficient.

The Weatherization program helps homeowners with low-to-moderate incomes, living in owner-occupied homes or rental units, qualify for free weatherization upgrades performed through various providers or regional housing authorities. The Weatherization program is funded by federal, State and Corporate monies.

The Home Energy Rebate Program has no income limits and provides homeowners with reimbursements for specific energy-efficiency improvements. The more the home's energy efficiency improves, the greater the potential rebate. As of June 30, 2011 the Corporation had outstanding commitments of $38,708,000 and had paid out $112,706,000 in the rebate program to homeowners since the inception of the program. This commitment amount represents the maximum amount each homeowner could be reimbursed, not necessarily the actual amount of each homeowner's reimbursement.

## 21 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS

### Plan Description

As of June 30, 2011, all regular employees of the Corporation who work more than fifteen hours per week participate in the Alaska Public Employees' Retirement System (PERS). PERS administers the State of Alaska Public Employees' Retirement System Defined Benefit Retirement Plan which includes both pension and post employment healthcare plans for all employees hired prior to July 1, 2006. The defined benefit plan was an agent multiple-employer, statewide plan until July 1, 2008 when Senate Bill 125 converted the plan to a multiple-employer cost-sharing plan. PERS also administers the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan which includes both pension and post employment healthcare plans for all employees hired on or after July 1, 2006.

PERS is administered by the State of Alaska. Benefits and contributions provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by state legislature. Amendments do not affect existing employees. A publicly available financial report that includes financial statements and required supplementary information is issued annually by PERS. That report may be obtained by writing to State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0202.

*Defined Benefit Plans (Employees hired prior to July 1, 2006):*

Employees hired prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service and for all service prior to July 1, 1986, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The plan pays the retiree medical plan premium and also provides death and disability benefits.

Employees hired after June 30, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. Also the plan does not pay the retiree medical plan premium for retirees under the age of 60 unless the retiree has 30 years of credited service. The employee may elect to pay the full premium cost for medical coverage.

Employees hired after June 30, 1996 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 60 or early retirement age 55. The normal pension benefit is equal to 2% of the member's five-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The plan does not pay the retiree medical plan premium for retirees with less than 10 years of service at age 60. The employee may elect to pay the full premium cost for medical coverage.

*Defined Contribution Plan (Employees hired on or after July 1, 2006):*

There is no retirement age set, however taxes and penalties may apply if withdrawn prior to age 59 ½. Retirement benefits are equal to the Defined Contribution account balance plus interest. The employee may direct the investment of the account if so desired. The account balance is 100% of the employees contribution plus 25% of the Corporation's contribution after two years of service, 50% of the Corporation's contribution after three years of service, 75% of the Corporation's contribution after four years of service, and 100% of the Corporation's contribution after 5 years of service. The plan pays a portion of the retiree medical plan premium if the retiree retires directly from the plan and is eligible for Medicare. The portion of premium paid by the plan is determined by years of service. Disability benefits are also provided.

## Funding Policy

*Defined Benefit Plans:*

Under State law, covered employees are required to contribute 6¾% of their annual covered salary to the pension plan and are not required to contribute to the Post Employment Healthcare Plan.

Under State law the Corporation is required to contribute 22% of annual covered salary. For the fiscal year 2011, 7.64% of covered salary is for the pension plan and 14.36% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 27.96% for the fiscal year 2011 and the employer rate of 22% will be funded by the State.

The State contribution to the pension plan for the Corporation for the year ended June 30, 2011 was $654,000.

The Corporation's contributions to the pension plan for the year ended June 30, 2011 was $1,403,000 and for the years ended June 30, 2010 and June 30, 2009 was $1,452,000 and $1,180,000 respectively.

The State contribution to the post employment healthcare plan for the Corporation for the year ended June 30, 2011 was $1,006,000.

The Corporation's contributions to the post employment healthcare plan for the year ended June 30, 2011 was $2,636,000 and for the years ended June 30, 2010 and June 30, 2009 was $2,559,000 and $2,740,000 respectively.

*Defined Contribution Plans*

Under State law, covered employees are required to contribute 8% of their annual covered salary. For the fiscal year 2011, the Corporation is required to contribute 5.31% of the annual covered salary to the pension plan.

Under State law, covered employees are not required to contribute to the post employment healthcare plan. For the fiscal year 2011, the Corporation is required to contribute 0.55% of the annual covered salary plus an annual flat dollar amount of $1,720.70 for each covered employee.

If the total amount that the Corporation has contributed for the defined contribution pension and post employment healthcare plans is less that 22% of covered payroll, the Corporation must pay that additional amount. This additional amount is used to reduce the Plan's unfunded liability. For the year ended June 30, 2011, the Corporation paid additional contributions of $321,000.

The contributions to the pension plan for the year ended June 30, 2011 by the employees was $202,000 and by the Corporation was $134,000.

The Corporation contributed $100,000 to a health reimbursement arrangement for the year ended June 30, 2011.

# 22 OTHER COMMITMENTS AND CONTINGENCIES

### Medical Self Insurance

During the fiscal year ended June 30, 1998, the Corporation began a program of self-insurance for employee medical benefits. Costs are billed directly to the Corporation by an Administrative Services Provider that processes all of the claims from the employees and their dependents. The Corporation has purchased a stop-loss policy that limits its liability to $50,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of $1,746,000 and $1,235,000 as of June 30, 2011 and June 30, 2010, respectively.

### Litigation

The Corporation, in the normal course of its activities, is involved in various claims and pending litigation, the outcome of which is not presently determinable. In the opinion of management, the disposition of these matters is not presently expected to have a material adverse effect on the Corporation's financial statements.

### Contingent Liabilities

The Corporation participates in several federally assisted programs. These programs are subject to program compliance audits and adjustment by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, would become a liability of the Administrative Fund. In management's opinion, disallowance, if any, will be immaterial.

# 23 RISK MANAGEMENT

The Corporation is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by various commercial insurance policies and contractual risk transfers. When the Corporation enters into agreements, contracts or grants, it requires insurance from the party the Corporation is doing business with. This ensures that the party can adequately sustain any loss exposure, so the Corporation is not first-in-line in case of a loss. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded insurance coverage during the past three years.

# 24 SPECIAL ITEM

On June 17, 2011 the Corporation sold its land on 34$^{th}$ Avenue, with a cost of $1,459,000, for $4,547,000 resulting in a special item gain of $3,088,000.

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## 25 FIVE YEAR FINANCIAL INFORMATION

Entity-wide amounts at year-end are presented below for informational purposes (in thousands):

| | June 30, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| **Assets and Deferred Outflows** | | | | | |
| Cash | $ 73,411 | $ 59,218 | $ 24,720 | $ 19,034 | $ 45,964 |
| Investments | 1,362,107 | 1,389,605 | 1,247,669 | 1,231,404 | 1,274,544 |
| Accrued interest receivable | 13,305 | 14,647 | 15,854 | 16,734 | 19,340 |
| Mortgage loans, notes and other loans | 2,759,511 | 2,971,253 | 3,195,444 | 3,450,063 | 3,357,754 |
| Net investment in direct financing lease | 57,476 | 61,222 | 64,802 | 65,203 | 27,085 |
| Unamortized bond issuance costs | 16,880 | 19,751 | 23,252 | 25,142 | 24,616 |
| Capital assets, net | 121,968 | 112,759 | 113,004 | 116,535 | 118,743 |
| Other assets | 36,446 | 40,463 | 46,680 | 22,004 | 28,854 |
| Derivative instrument - interest rate swaps | - | - | - | - | - |
| Deferred outflow of resources | 100,936 | 127,899 | - | - | - |
| **Total Assets and Deferred Outflows** | 4,542,040 | 4,796,817 | 4,731,425 | 4,946,119 | 4,896,900 |
| **Liabilities and Deferred Inflows** | | | | | |
| Bonds and notes payable | 2,721,113 | 2,832,647 | 2,869,153 | 3,136,866 | 3,060,887 |
| Short term debt | 86,976 | 149,890 | 149,724 | 112,159 | 119,726 |
| Accrued interest payable | 12,688 | 12,770 | 13,715 | 15,303 | 14,847 |
| Other liabilities | 24,549 | 47,252 | 26,722 | 15,620 | 16,968 |
| Derivative instrument - interest rate swaps | 102,895 | 130,267 | - | - | - |
| Deferred inflow of resources | - | - | - | - | - |
| **Total Liabilities and Deferred Inflows** | 2,948,221 | 3,172,826 | 3,059,314 | 3,279,948 | 3,212,428 |
| **Total Fund Equity** | $1,593,819 | $1,623,991 | $1,672,111 * | $1,666,171 | $1,684,472 |

| | June 30, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| **Operating Revenues** | | | | | |
| Mortgage and loans revenue | $ 164,242 | $ 177,855 | $ 205,138 | $ 202,851 | $ 195,028 |
| Investment interest | 8,454 | 11,605 | 25,148 | 56,667 | 76,631 |
| Net change in fair value of investments | 7,766 | 6,317 | 570 | 255 | 2,214 |
| Net change of hedge termination | 410 | (794) | - | - | - |
| Total Investment Revenue | 16,630 | 17,128 | 25,718 | 56,922 | 78,845 |
| Externally funded programs | 194,411 | 191,968 | 112,587 | 73,603 | 63,043 |
| Rental | 7,996 | 8,697 | 8,577 | 7,695 | 6,988 |
| Other | 2,416 | 1,610 | 3,337 | 776 | 1,085 |
| **Total Operating Revenues** | 385,695 | 397,258 | 355,357 | 341,847 | 344,989 |
| **Operating Expenses** | | | | | |
| Interest | 122,138 | 130,789 | 149,021 | 147,336 | 158,145 |
| Mortgage and loan costs | 11,587 | 12,709 | 14,139 | 14,155 | 14,034 |
| Operations and administration | 54,100 | 49,678 | 51,421 | 42,812 | 41,410 |
| Financing expenses | 8,692 | 7,456 | 9,159 | 6,415 | 8,945 |
| Provision for loan loss | (6,673) | 515 | (7,703) | 7,098 | 5,490 |
| Housing grants and subsidies | 196,168 | 194,883 | 106,480 | 78,290 | 65,689 |
| Rental housing operating expenses | 12,594 | 11,002 | 11,480 | 10,428 | 10,799 |
| **Total Operating Expenses** | 398,606 | 407,032 | 333,997 | 306,534 | 304,512 |
| **Operating Income (Loss)** | (12,911) | (9,774) | 21,360 | 35,313 | 40,477 |
| **Non-Operating & Special Item** | | | | | |
| Contribution to State or State agency | (20,349) | (36,772) | (15,420) | (53,614) | (346,037) |
| Special item | 3,088 | - | - | - | - |
| **Change in Net Assets** | $ (30,172) | $ (46,546) | $ 5,940 | $ (18,301) | $ (305,560) |

*Does not reflect the FY10 cumulative effect of accounting change.

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF NET ASSETS**

COMBINED - ALL FUNDS

As of June 30, 2011

*(in thousands of dollars)*

| | Combined Revolving Funds | Combined Mortgage Revenue Bonds | Combined Home Mortgage Revenue Bonds | Combined Veterans Mortgage Program Bonds/Notes |
|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | | | |
| Cash | 41,452 | 8,070 | - | - |
| Investments | 742,596 | 156,064 | 176,108 | 17,233 |
| Accrued interest receivable | 1,441 | 610 | 4,356 | 1,394 |
| Inter-fund due to/from | (8,385) | 2,129 | 18,216 | 5,078 |
| Mortgage loans, notes and other loans | 178,172 | 168,172 | 1,028,071 | 318,555 |
| Net investment in direct financing lease | - | - | - | - |
| Unamortized bond issuance costs | - | 1,383 | 5,000 | 1,294 |
| Capital assets, non-depreciable | 139 | - | - | - |
| Capital assets - depreciable, net | 12,160 | - | - | - |
| Other assets | 8,668 | - | 32 | - |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental receivable | 1,267 | - | - | - |
| Deferred outflow of resources | - | - | 80,112 | - |
| **Total Assets and Deferred Outflows** | 977,510 | 336,428 | 1,311,895 | 343,554 |
| **LIABILITIES AND DEFERRED INFLOWS** | | | | |
| Bonds and notes payable | - | 309,376 | 1,009,298 | 244,830 |
| Short term debt | 86,976 | - | - | - |
| Accrued interest payable | 1,300 | 802 | 3,743 | 970 |
| Other liabilities | 8,875 | 49 | 308 | 101 |
| Derivative instrument - interest rate swaps | - | - | 80,112 | - |
| Intergovernmental payable | 1,029 | - | - | - |
| Deferred inflow of resources | - | - | - | - |
| **Total Liabilities & Deferred Inflows** | 98,180 | 310,227 | 1,093,461 | 245,901 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | 12,299 | - | - | - |
| Restricted by bond resolutions | - | 26,201 | 218,434 | 97,653 |
| Restricted by contractual or statutory agreements | 136,839 | - | - | - |
| Unrestricted net assets, (deficit) | 730,192 | - | - | - |
| **Total Net Assets (deficit)** | 879,330 | 26,201 | 218,434 | 97,653 |

**Schedule 1**

| Combined Other Housing Bonds | Combined Non-Housing Bonds | Combined Other Programs | Combined Total |
|---|---|---|---|
| - | 3,126 | 20,763 | 73,411 |
| 172,453 | 97,653 | - | 1,362,107 |
| 2,989 | 2,515 | - | 13,305 |
| 14,431 | 10,108 | (41,577) | - |
| 578,708 | 487,833 | - | 2,759,511 |
| - | 57,476 | - | 57,476 |
| 4,791 | 4,412 | - | 16,880 |
| - | - | 15,753 | 15,892 |
| - | - | 93,916 | 106,076 |
| - | 29 | 14,702 | 23,431 |
| - | - | - | - |
| - | - | 11,748 | 13,015 |
| 13,653 | 7,171 | - | 100,936 |
| 787,025 | 670,323 | 115,305 | 4,542,040 |
| 524,070 | 633,539 | - | 2,721,113 |
| - | - | - | 86,976 |
| 1,966 | 3,907 | - | 12,688 |
| 950 | 521 | 9,352 | 20,156 |
| 13,653 | 9,130 | - | 102,895 |
| - | 3,126 | 238 | 4,393 |
| - | - | - | - |
| 540,639 | 650,223 | 9,590 | 2,948,221 |
| - | - | 109,669 | 121,968 |
| 219,869 | - | - | 562,157 |
| 26,517 | - | 22,720 | 186,076 |
| - | 20,100 | (26,674) | 723,618 |
| 246,386 | 20,100 | 105,715 | 1,593,819 |

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## ALASKA HOUSING FINANCE CORPORATION

Schedule 2

(A Component Unit of the State of Alaska)

**STATEMENT OF NET ASSETS**

REVOLVING FUNDS

As of June 30, 2011

*(in thousands of dollars)*

| | Administrative Fund | Home Ownership Fund | Combined Total |
|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | | |
| Cash | 41,087 | 365 | 41,452 |
| Investments | 731,500 | 11,096 | 742,596 |
| Accrued interest receivable | 1,440 | 1 | 1,441 |
| Inter-fund due to/from | (8,385) | - | (8,385) |
| Mortgage loans, notes and other loans | 178,172 | - | 178,172 |
| Net investment in direct financing lease | - | - | - |
| Unamortized bond issuance costs | - | - | - |
| Capital assets - non-depreciable | 139 | - | 139 |
| Capital assets - depreciable, net | 12,160 | - | 12,160 |
| Other assets | 8,668 | - | 8,668 |
| Derivative instrument - interest rate swaps | - | - | - |
| Intergovernmental receivable | 1,267 | - | 1,267 |
| Deferred outflow of resources | - | - | - |
| **Total Assets and Deferred Outflows** | 966,048 | 11,462 | 977,510 |
| **LIABILITIES AND DEFERRED INFLOWS** | | | |
| Bonds and notes payable | - | - | - |
| Short term debt | 86,976 | - | 86,976 |
| Accrued interest payable | 1,300 | - | 1,300 |
| Other liabilities | 8,875 | - | 8,875 |
| Derivative instrument - interest rate swaps | - | - | - |
| Intergovernmental payable | 1,029 | - | 1,029 |
| Deferred inflow of resources | - | - | - |
| **Total Liabilities & Deferred Inflows** | 98,180 | - | 98,180 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | 12,299 | - | 12,299 |
| Restricted by bond resolutions | - | - | - |
| Restricted by contractual or statutory agreements | 125,377 | 11,462 | 136,839 |
| Unrestricted net assets, (deficit) | 730,192 | - | 730,192 |
| **Total Net Assets (deficit)** | 867,868 | 11,462 | 879,330 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF NET ASSETS**

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

As of June 30, 2011

*(in thousands of dollars)*

| | Bonds 1998 A | Bonds 1999 A | Bonds 2000 A-D | Bonds 2001 A,B |
|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | | | |
| Cash | - | - | - | 8,070 |
| Investments | - | - | - | 945 |
| Accrued interest receivable | - | - | - | 233 |
| Inter-fund due to/from | - | - | - | 717 |
| Mortgage loans, notes and other loans | - | - | - | 43,558 |
| Net investment in direct financing lease | - | - | - | - |
| Unamortized bond issuance costs | - | - | - | 512 |
| Capital assets - non-depreciable | - | - | - | - |
| Capital assets - depreciable, net | - | - | - | - |
| Other assets | - | - | - | - |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental receivable | - | - | - | - |
| Deferred outflow of resources | - | - | - | - |
| **Total Assets and Deferred Outflows** | - | - | - | 54,035 |
| **LIABILITIES AND DEFERRED INFLOWS** | | | | |
| Bonds and notes payable | - | - | - | 39,185 |
| Short term debt | - | - | - | - |
| Accrued interest payable | - | - | - | 168 |
| Other liabilities | - | - | - | 17 |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental payable | - | - | - | - |
| Deferred inflow of resources | - | - | - | - |
| **Total Liabilities & Deferred Inflows** | - | - | - | 39,370 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | - | - | - | - |
| Restricted by bond resolutions | - | - | - | 14,665 |
| Restricted by contractual or statutory agreements | - | - | - | - |
| Unrestricted net assets, (deficit) | - | - | - | - |
| **Total Net Assets (deficit)** | - | - | - | 14,665 |

**Schedule 3**

| Bonds 2009 A | Bonds 2009 A-1 2010 A, B | Mortgage Revenue Bonds Combined Total |
|---|---|---|
| - | - | 8,070 |
| 131,586 | 23,533 | 156,064 |
| - | 377 | 610 |
| 1 | 1,411 | 2,129 |
| - | 124,614 | 168,172 |
| - | - | - |
| 12 | 859 | 1,383 |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 131,599 | 150,794 | 336,428 |
| | | |
| 128,750 | 141,441 | 309,376 |
| - | - | - |
| 253 | 381 | 802 |
| - | 32 | 49 |
| - | - | - |
| - | - | - |
| - | - | - |
| 129,003 | 141,854 | 310,227 |
| | | |
| - | - | - |
| 2,596 | 8,940 | 26,201 |
| - | - | - |
| - | - | - |
| 2,596 | 8,940 | 26,201 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF NET ASSETS**

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

As of June 30, 2011

*(in thousands of dollars)*

| | Bonds 2002 A,B | Bonds 2006 A | Bonds 2006 B | Bonds 2006 C |
|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | | | |
| Cash | - | - | - | - |
| Investments | 39,317 | 3,782 | 2,228 | 2,211 |
| Accrued interest receivable | 763 | 255 | 162 | 204 |
| Inter-fund due to/from | 2,010 | 1,088 | 767 | 1,139 |
| Mortgage loans, notes and other loans | 155,755 | 56,898 | 39,023 | 41,237 |
| Net investment in direct financing lease | - | - | - | - |
| Unamortized bond issuance costs | 775 | 466 | 326 | 342 |
| Capital assets - non-depreciable | - | - | - | - |
| Capital assets - depreciable, net | - | - | - | - |
| Other assets | 32 | - | - | - |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental receivable | - | - | - | - |
| Deferred outflow of resources | 7,266 | - | - | - |
| **Total Assets and Deferred Outflows** | 205,918 | 62,489 | 42,506 | 45,133 |
| **LIABILITIES AND DEFERRED INFLOWS** | | | | |
| Bonds and notes payable | 153,670 | 57,557 | 39,397 | 42,902 |
| Short term debt | - | - | - | - |
| Accrued interest payable | 731 | 227 | 152 | 187 |
| Other liabilities | 55 | 17 | 10 | 12 |
| Derivative instrument - interest rate swaps | 7,266 | - | - | - |
| Intergovernmental payable | - | - | - | - |
| Deferred inflow of resources | - | - | - | - |
| **Total Liabilities & Deferred Inflows** | 161,722 | 57,801 | 39,559 | 43,101 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | - | - | - | - |
| Restricted by bond resolutions | 44,196 | 4,688 | 2,947 | 2,032 |
| Restricted by contractual or statutory agreements | - | - | - | - |
| Unrestricted net assets, (deficit) | - | - | - | - |
| **Total Net Assets (deficit)** | 44,196 | 4,688 | 2,947 | 2,032 |

**Schedule 4**

*continued on next page*

| Bonds 2007 A | Bonds 2007 B | Bonds 2007 C | Bonds 2007 D | Bonds 2008 A | Bonds 2008 B | Bonds 2009 A |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - |
| 19,235 | 18,028 | 2,195 | 20,252 | 2,294 | 2,777 | 19,222 |
| 271 | 274 | 259 | 313 | 234 | 271 | 344 |
| 1,151 | 1,069 | 714 | 1,594 | 1,228 | 698 | 2,345 |
| 62,103 | 64,465 | 59,225 | 75,636 | 47,515 | 60,035 | 98,632 |
| - | - | - | - | - | - | - |
| 197 | 123 | 474 | 168 | 331 | 502 | 227 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 11,394 | 11,354 | - | 13,025 | - | - | 12,443 |
| 94,351 | 95,313 | 62,867 | 110,988 | 51,602 | 64,283 | 133,213 |
| | | | | | | |
| 73,260 | 73,260 | 59,660 | 87,237 | 48,890 | 60,820 | 79,534 |
| - | - | - | - | - | - | - |
| 227 | 229 | 233 | 273 | 206 | 257 | 223 |
| 22 | 21 | 18 | 24 | 15 | 18 | 25 |
| 11,394 | 11,354 | - | 13,025 | - | - | 12,443 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 84,903 | 84,864 | 59,911 | 100,559 | 49,111 | 61,095 | 92,225 |
| | | | | | | |
| - | - | - | - | - | - | - |
| 9,448 | 10,449 | 2,956 | 10,429 | 2,491 | 3,188 | 40,988 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 9,448 | 10,449 | 2,956 | 10,429 | 2,491 | 3,188 | 40,988 |

## ALASKA HOUSING FINANCE CORPORATION

**Schedule 4**

(A Component Unit of the State of Alaska)
**STATEMENT OF NET ASSETS**
FIRST TIME HOMEBUYERS PROGRAM
HOME MORTGAGE REVENUE BONDS
As of June 30, 2011
*(in thousands of dollars)*

| | Bonds 2009 B | Bonds 2009 C | Bonds 2009 D | Home Mortgage Revenue Bonds Combined Total |
|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | | | |
| Cash | - | - | - | - |
| Investments | 19,937 | 2,620 | 22,010 | 176,108 |
| Accrued interest receivable | 325 | 304 | 377 | 4,356 |
| Inter-fund due to/from | 1,290 | 875 | 2,248 | 18,216 |
| Mortgage loans, notes and other loans | 99,047 | 73,808 | 94,692 | 1,028,071 |
| Net investment in direct financing lease | - | - | - | - |
| Unamortized bond issuance costs | 212 | 617 | 240 | 5,000 |
| Capital assets - non-depreciable | - | - | - | - |
| Capital assets - depreciable, net | - | - | - | - |
| Other assets | - | - | - | 32 |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental receivable | - | - | - | - |
| Deferred outflow of resources | 12,581 | - | 12,049 | 80,112 |
| **Total Assets and Deferred Outflows** | 133,392 | 78,224 | 131,616 | 1,311,895 |
| **LIABILITIES AND DEFERRED INFLOWS** | | | | |
| Bonds and notes payable | 79,534 | 74,003 | 79,574 | 1,009,298 |
| Short term debt | - | - | - | - |
| Accrued interest payable | 223 | 281 | 294 | 3,743 |
| Other liabilities | 23 | 23 | 25 | 308 |
| Derivative instrument - interest rate swaps | 12,581 | - | 12,049 | 80,112 |
| Intergovernmental payable | - | - | - | - |
| Deferred inflow of resources | - | - | - | - |
| **Total Liabilities & Deferred Inflows** | 92,361 | 74,307 | 91,942 | 1,093,461 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | - | - | - | - |
| Restricted by bond resolutions | 41,031 | 3,917 | 39,674 | 218,434 |
| Restricted by contractual or statutory agreements | - | - | - | - |
| Unrestricted net assets, (deficit) | - | - | - | - |
| **Total Net Assets (deficit)** | 41,031 | 3,917 | 39,674 | 218,434 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF NET ASSETS**

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

As of June 30, 2011

*(in thousands of dollars)*

| | Collateralized Bonds 1999 First Series | Collateralized Bonds 2000 First Series | Collateralized Bonds 2002 First Series | Collateralized Bonds/Notes 2005 First & Second Series |
|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | | | |
| Cash | - | - | - | - |
| Investments | - | - | 301 | 623 |
| Accrued interest receivable | - | - | 58 | 37 |
| Inter-fund due to/from | - | - | 243 | 63 |
| Mortgage loans, notes and other loans | - | - | 13,645 | 10,601 |
| Net investment in direct financing lease | - | - | - | - |
| Unamortized bond issuance costs | - | - | 83 | - |
| Capital assets - non-depreciable | - | - | - | - |
| Capital assets - depreciable, net | - | - | - | - |
| Other assets | - | - | - | - |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental receivable | - | - | - | - |
| Deferred outflow of resources | - | - | - | - |
| **Total Assets and Deferred Outflows** | - | - | 14,330 | 11,324 |
| **LIABILITIES AND DEFERRED INFLOWS** | | | | |
| Bonds and notes payable | - | - | 8,490 | 6,290 |
| Short term debt | - | - | - | - |
| Accrued interest payable | - | - | 38 | 25 |
| Other liabilities | - | - | 4 | 3 |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental payable | - | - | - | - |
| Deferred inflow of resources | - | - | - | - |
| **Total Liabilities & Deferred Inflows** | - | - | 8,532 | 6,318 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | - | - | - | - |
| Restricted by bond resolutions | - | - | 5,798 | 5,006 |
| Restricted by contractual or statutory agreements | - | - | - | - |
| Unrestricted net assets, (deficit) | - | - | - | - |
| **Total Net Assets (deficit)** | - | - | 5,798 | 5,006 |

Schedule 5

| Collateralized Bonds 2006 First Series | Collateralized Bonds 2007 & 2008 First Series | Combined Total |
|---|---|---|
| - | - | - |
| 12,186 | 4,123 | 17,233 |
| 1,000 | 299 | 1,394 |
| 4,000 | 772 | 5,078 |
| 228,450 | 65,859 | 318,555 |
| - | - | - |
| 719 | 492 | 1,294 |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 246,355 | 71,545 | 343,554 |
| 176,760 | 53,290 | 244,830 |
| - | - | - |
| 689 | 218 | 970 |
| 73 | 21 | 101 |
| - | - | - |
| - | - | - |
| - | - | - |
| 177,522 | 53,529 | 245,901 |
| - | - | - |
| 68,833 | 18,016 | 97,653 |
| - | - | - |
| - | - | - |
| 68,833 | 18,016 | 97,653 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF NET ASSETS**

OTHER HOUSING BONDS

As of June 30, 2011

*(in thousands of dollars)*

| | Senior Housing Bond Program | Housing Development Bonds | General Mortgage Revenue Bonds 2002 A | Governmental Purpose Bonds 1997 A |
|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | | | |
| Cash | - | - | - | - |
| Investments | 7,008 | 41,191 | 51,696 | 3,763 |
| Accrued interest receivable | 94 | 1,257 | 461 | 132 |
| Inter-fund due to/from | 135 | 9,442 | 1,667 | - |
| Mortgage loans, notes and other loans | 19,287 | 218,088 | 160,123 | 17,290 |
| Net investment in direct financing lease | - | - | - | - |
| Unamortized bond issuance costs | - | 2,526 | 1,002 | 123 |
| Capital assets - non-depreciable | - | - | - | - |
| Capital assets - depreciable, net | - | - | - | - |
| Other assets | - | - | - | - |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental receivable | - | - | - | - |
| Deferred outflow of resources | - | - | - | - |
| **Total Assets and Deferred Outflows** | 26,524 | 272,504 | 214,949 | 21,308 |
| **LIABILITIES AND DEFERRED INFLOWS** | | | | |
| Bonds and notes payable | - | 238,125 | 145,856 | 14,600 |
| Short term debt | - | - | - | - |
| Accrued interest payable | - | 1,013 | 585 | 1 |
| Other liabilities | 7 | 50 | 35 | 8 |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental payable | - | - | - | - |
| Deferred inflow of resources | - | - | - | - |
| **Total Liabilities & Deferred Inflows** | 7 | 239,188 | 146,476 | 14,609 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | - | - | - | - |
| Restricted by bond resolutions | - | 33,316 | 68,473 | 6,699 |
| Restricted by contractual or statutory agreements | 26,517 | - | - | - |
| Unrestricted net assets, (deficit) | - | - | - | - |
| **Total Net Assets (deficit)** | 26,517 | 33,316 | 68,473 | 6,699 |

Schedule 6

| Governmental Purpose Bonds 2001 A-D | Combined Total |
|---|---|
| - | - |
| 68,795 | 172,453 |
| 1,045 | 2,989 |
| 3,187 | 14,431 |
| 163,920 | 578,708 |
| - | - |
| 1,140 | 4,791 |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| 13,653 | 13,653 |
| 251,740 | 787,025 |
| 125,489 | 524,070 |
| - | - |
| 367 | 1,966 |
| 850 | 950 |
| 13,653 | 13,653 |
| - | - |
| - | - |
| 140,359 | 540,639 |
| - | - |
| 111,381 | 219,869 |
| - | 26,517 |
| - | - |
| 111,381 | 246,386 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF NET ASSETS**

NON-HOUSING BONDS

As of June 30, 2011

*(in thousands of dollars)*

| | State Capital Project Bonds 2002 A, B, C | State Capital Project Bonds 2006 A | State Capital Project Bonds 2007 A & B | State Capital Project Bonds 2011 A |
|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | | | |
| Cash | - | - | 394 | - |
| Investments | 12,655 | 5,858 | 11,549 | 5,104 |
| Accrued interest receivable | 301 | 443 | 174 | 556 |
| Inter-fund due to/from | 1,950 | 1,939 | 629 | 1,675 |
| Mortgage loans, notes and other loans | 56,234 | 90,678 | 40,369 | 102,535 |
| Net investment in direct financing lease | - | - | 39,601 | - |
| Unamortized bond issuance costs | 475 | 573 | 577 | 760 |
| Capital assets - non-depreciable | - | - | - | - |
| Capital assets - depreciable, net | - | - | - | - |
| Other assets | - | 29 | - | - |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental receivable | - | - | - | - |
| Deferred outflow of resources | 7,171 | - | - | - |
| **Total Assets and Deferred Outflows** | 78,786 | 99,520 | 93,293 | 110,630 |
| **LIABILITIES AND DEFERRED INFLOWS** | | | | |
| Bonds and notes payable | 64,630 | 93,821 | 87,927 | 108,937 |
| Short term debt | - | - | - | - |
| Accrued interest payable | 1,611 | 351 | 347 | 411 |
| Other liabilities | 33 | 34 | 15 | 39 |
| Derivative instrument - interest rate swaps | 9,130 | - | - | - |
| Intergovernmental payable | - | - | 394 | - |
| Deferred inflow of resources | - | - | - | - |
| **Total Liabilities & Deferred Inflows** | 75,404 | 94,206 | 88,683 | 109,387 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | - | - | - | - |
| Restricted by bond resolutions | - | - | - | - |
| Restricted by contractual or statutory agreements | - | - | - | - |
| Unrestricted net assets, (deficit) | 3,382 | 5,314 | 4,610 | 1,243 |
| **Total Net Assets (deficit)** | 3,382 | 5,314 | 4,610 | 1,243 |

Schedule 7

| General Housing Purpose Bonds 2005 A | General Housing Purpose Bonds 2005 B & C | Combined Total |
|---|---|---|
| - | 2,732 | 3,126 |
| 33,609 | 28,878 | 97,653 |
| 743 | 298 | 2,515 |
| 1,956 | 1,959 | 10,108 |
| 115,848 | 82,169 | 487,833 |
| - | 17,875 | 57,476 |
| 996 | 1,031 | 4,412 |
| - | - | - |
| - | - | - |
| - | - | 29 |
| - | - | - |
| - | - | - |
| - | - | 7,171 |
| 153,152 | 134,942 | 670,323 |
| | | |
| 140,592 | 137,632 | 633,539 |
| - | - | - |
| 581 | 606 | 3,907 |
| 39 | 361 | 521 |
| - | - | 9,130 |
| - | 2,732 | 3,126 |
| - | - | - |
| 141,212 | 141,331 | 650,223 |
| | | |
| - | - | - |
| - | - | - |
| - | - | - |
| 11,940 | (6,389) | 20,100 |
| 11,940 | (6,389) | 20,100 |

**ALASKA HOUSING FINANCE CORPORATION**
(A Component Unit of the State of Alaska)
**STATEMENT OF NET ASSETS**
OTHER PROGRAM FUNDS
As of June 30, 2011
*(in thousands of dollars)*

| | Energy Programs | Low Rent Program | Affordable Housing Programs | Section 8 Vouchers Program |
|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS** | | | | |
| Cash | 1,559 | 10,024 | 6,433 | 2,744 |
| Investments | - | - | - | - |
| Accrued interest receivable | - | - | - | - |
| Inter-fund due to/from | (14,123) | (766) | (680) | (478) |
| Mortgage loans, notes and other loans | - | - | - | - |
| Net investment in direct financing lease | - | - | - | - |
| Unamortized bond issuance costs | - | - | - | - |
| Capital assets - non-depreciable | 1,076 | 13,547 | 1,130 | - |
| Capital assets - depreciable, net | 8 | 71,939 | 21,934 | 35 |
| Other assets | 10,006 | 863 | 45 | 61 |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental receivable | 10,186 | - | - | - |
| Deferred outflow of resources | - | - | - | - |
| **Total Assets and Deferred Outflows** | 8,712 | 95,607 | 28,862 | 2,362 |
| **LIABILITIES AND DEFERRED INFLOWS** | | | | |
| Bonds and notes payable | - | - | - | - |
| Short term debt | - | - | - | - |
| Accrued interest payable | - | - | - | - |
| Other liabilities | 6,270 | 1,172 | 268 | 241 |
| Derivative instrument - interest rate swaps | - | - | - | - |
| Intergovernmental payable | - | 238 | - | - |
| Deferred inflow of resources | - | - | - | - |
| **Total Liabilities & Deferred Inflows** | 6,270 | 1,410 | 268 | 241 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | 1,084 | 85,486 | 23,064 | 35 |
| Restricted by bond resolutions | - | - | - | - |
| Restricted by contractual or statutory agreements | 1,732 | 9,527 | 6,107 | 4,117 |
| Unrestricted net assets, (deficit) | (374) | (816) | (577) | (2,031) |
| **Total Net Assets (deficit)** | 2,442 | 94,197 | 28,594 | 2,121 |

**Schedule 8**

| Other Programs | Combined Total |
|---|---|
| 3 | 20,763 |
| - | - |
| - | - |
| (25,530) | (41,577) |
| - | - |
| - | - |
| - | - |
| - | 15,753 |
| - | 93,916 |
| 3,727 | 14,702 |
| - | - |
| 1,562 | 11,748 |
| - | - |
| (20,238) | 115,305 |
| - | - |
| - | - |
| - | - |
| 1,401 | 9,352 |
| - | - |
| - | 238 |
| - | - |
| 1,401 | 9,590 |
| - | 109,669 |
| - | - |
| 1,237 | 22,720 |
| (22,876) | (26,674) |
| (21,639) | 105,715 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

COMBINED - ALL FUNDS

For the Year Ended June 30, 2011

*(in thousands of dollars)*

| | Combined Revolving Funds | Combined Mortgage Revenue Bonds | Combined Home Mortgage Revenue Bonds | Combined Veterans Mortgage Program Bonds/Notes |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Mortgage and loans revenue | 13,668 | 12,967 | 58,294 | 19,655 |
| Investment interest | 556 | 887 | 350 | 749 |
| Net change in the fair value of investments | 7,822 | - | - | - |
| Net change of hedge termination | - | - | - | - |
| Total Investment Revenue | 8,378 | 887 | 350 | 749 |
| Externally funded program | - | - | - | - |
| Rental | 28 | - | - | - |
| Other | 1,851 | - | - | - |
| **Total Operating Revenues** | 23,925 | 13,854 | 58,644 | 20,404 |
| **OPERATING EXPENSES** | | | | |
| Interest | 429 | 11,179 | 45,386 | 13,570 |
| Mortgage and loan costs | 1,394 | 937 | 4,103 | 1,371 |
| Financing expenses | 497 | 2,234 | 3,192 | 737 |
| Provision for loan loss | (2,128) | 730 | (6,058) | (1,424) |
| Operations and administration | 1,779 | 3,425 | 9,537 | 3,161 |
| Rental housing operating expenses | 161 | - | - | - |
| Housing grants and subsidies | - | - | - | - |
| **Total Operating Expenses** | 2,132 | 18,505 | 56,160 | 17,415 |
| **Operating Income (Loss)** | 21,793 | (4,651) | 2,484 | 2,989 |
| **NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS** | | | | |
| Contributions to the State of Alaska or other State agencies | (16,568) | - | - | - |
| Special Items | 3,088 | - | - | - |
| Transfers - Internal | 39,519 | (15,832) | 15,721 | (9,630) |
| Change in Net Assets | 47,832 | (20,483) | 18,205 | (6,641) |
| Net assets at beginning of year | 831,498 | 46,684 | 200,229 | 104,294 |
| **Net Assets at End of Period** | 879,330 | 26,201 | 218,434 | 97,653 |

**Schedule 9**

| Combined Other Housing Bonds | Combined Non-Housing Bonds | Combined Other Programs | Combined Total |
|---|---|---|---|
| 35,638 | 24,020 | - | 164,242 |
| 2,829 | 3,060 | 23 | 8,454 |
| - | (56) | - | 7,766 |
| - | 410 | - | 410 |
| 2,829 | 3,414 | 23 | 16,630 |
| - | - | 194,411 | 194,411 |
| - | - | 7,968 | 7,996 |
| - | - | 565 | 2,416 |
| 38,467 | 27,434 | 202,967 | 385,695 |
| 24,429 | 27,133 | 12 | 122,138 |
| 1,937 | 1,845 | - | 11,587 |
| 1,358 | 674 | - | 8,692 |
| (1,103) | 3,310 | - | (6,673) |
| 5,440 | 4,533 | 26,225 | 54,100 |
| - | - | 12,433 | 12,594 |
| - | - | 196,168 | 196,168 |
| 32,061 | 37,495 | 234,838 | 398,606 |
| 6,406 | (10,061) | (31,871) | (12,911) |
| - | (3,781) | - | (20,349) |
| - | - | - | 3,088 |
| (59,827) | 13,588 | 16,461 | - |
| (53,421) | (254) | (15,410) | (30,172) |
| 299,807 | 20,354 | 121,125 | 1,623,991 |
| 246,386 | 20,100 | 105,715 | 1,593,819 |

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## ALASKA HOUSING FINANCE CORPORATION

**Schedule 10**

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

REVOLVING FUNDS

For the Year Ended June 30, 2011

*(in thousands of dollars)*

| | Administrative Fund | Home Ownership Fund | Combined Total |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Mortgage and loans revenue | 13,668 | - | 13,668 |
| Investment interest | 537 | 19 | 556 |
| Net change in the fair value of investments | 7,822 | - | 7,822 |
| Net change of hedge termination | - | - | - |
| Total Investment Revenue | 8,359 | 19 | 8,378 |
| Externally funded program | - | - | - |
| Rental | 28 | - | 28 |
| Other | 1,849 | 2 | 1,851 |
| **Total Operating Revenues** | 23,904 | 21 | 23,925 |
| **OPERATING EXPENSES** | | | |
| Interest | 429 | - | 429 |
| Mortgage and loan costs | 1,394 | - | 1,394 |
| Financing expenses | 497 | - | 497 |
| Provision for loan loss | (2,128) | - | (2,128) |
| Operations and administration | 1,779 | - | 1,779 |
| Rental housing operating expenses | 161 | - | 161 |
| Housing grants and subsidies | - | - | - |
| **Total Operating Expenses** | 2,132 | - | 2,132 |
| **Operating Income (Loss)** | 21,772 | 21 | 21,793 |
| **NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS** | | | |
| Contributions to the State of Alaska or other State agencies | (16,568) | - | (16,568) |
| Special Items | 3,088 | - | 3,088 |
| Transfers - Internal | 39,519 | - | 39,519 |
| Change in Net Assets | 47,811 | 21 | 47,832 |
| Net assets at beginning of year | 820,057 | 11,441 | 831,498 |
| **Net Assets at End of Period** | 867,868 | 11,462 | 879,330 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2011

*(in thousands of dollars)*

| | Bonds 1998 A | Bonds 1999 A | Bonds 2000 A-D | Bonds 2001 A,B |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Mortgage and loans revenue | 1,111 | 3,305 | 2,293 | 2,828 |
| Investment interest | 99 | 361 | 130 | 10 |
| Net change in the fair value of investments | - | - | - | - |
| Net change of hedge termination | - | - | - | - |
| Total Investment Revenue | 99 | 361 | 130 | 10 |
| Externally funded program | - | - | - | - |
| Rental | - | - | - | - |
| Other | - | - | - | - |
| **Total Operating Revenues** | 1,210 | 3,666 | 2,423 | 2,838 |
| **OPERATING EXPENSES** | | | | |
| Interest | 533 | 2,476 | 2,365 | 2,284 |
| Mortgage and loan costs | 75 | 230 | 150 | 195 |
| Financing expenses | 273 | 795 | 742 | 139 |
| Provision for loan loss | (539) | (1,310) | (1,470) | 143 |
| Operations and administration | 114 | 352 | 226 | 409 |
| Rental housing operating expenses | - | - | - | - |
| Housing grants and subsidies | - | - | - | - |
| **Total Operating Expenses** | 456 | 2,543 | 2,013 | 3,170 |
| **Operating Income (Loss)** | 754 | 1,123 | 410 | (332) |
| **NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS** | | | | |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Special Items | - | - | - | - |
| Transfers - Internal | (11,669) | (23,014) | (2,348) | 7,192 |
| Change in Net Assets | (10,915) | (21,891) | (1,938) | 6,860 |
| Net assets at beginning of year | 10,915 | 21,891 | 1,938 | 7,805 |
| **Net Assets at End of Period** | - | - | - | 14,665 |

**Schedule 11**

| Bonds 2009 A | Bonds 2009 A-1 2010 A, B | Mortgage Revenue Bonds Combined Total |
|---|---|---|
| - | 3,430 | 12,967 |
| 217 | 70 | 887 |
| - | - | - |
| - | - | - |
| 217 | 70 | 887 |
| - | - | - |
| - | - | - |
| - | - | - |
| 217 | 3,500 | 13,854 |
| 321 | 3,200 | 11,179 |
| - | 287 | 937 |
| 190 | 95 | 2,234 |
| - | 3,906 | 730 |
| 1,163 | 1,161 | 3,425 |
| - | - | - |
| - | - | - |
| 1,674 | 8,649 | 18,505 |
| (1,457) | (5,149) | (4,651) |
| - | - | - |
| - | - | - |
| (82) | 14,089 | (15,832) |
| (1,539) | 8,940 | (20,483) |
| 4,135 | - | 46,684 |
| 2,596 | 8,940 | 26,201 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2011

*(in thousands of dollars)*

| | Bonds 2002 A,B | Bonds 2006 A | Bonds 2006 B | Bonds 2006 C |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Mortgage and loans revenue | 9,588 | 3,470 | 2,274 | 2,488 |
| Investment interest | 61 | 14 | 12 | 13 |
| Net change in the fair value of investments | - | - | - | - |
| Net change of hedge termination | - | - | - | - |
| Total Investment Revenue | 61 | 14 | 12 | 13 |
| Externally funded program | - | - | - | - |
| Rental | - | - | - | - |
| Other | - | - | - | - |
| **Total Operating Revenues** | 9,649 | 3,484 | 2,286 | 2,501 |
| **OPERATING EXPENSES** | | | | |
| Interest | 6,573 | 2,966 | 2,067 | 2,414 |
| Mortgage and loan costs | 665 | 238 | 152 | 160 |
| Financing expenses | 685 | 153 | 131 | 127 |
| Provision for loan loss | (519) | (1,489) | (1,004) | (441) |
| Operations and administration | 1,452 | 526 | 364 | 385 |
| Rental housing operating expenses | - | - | - | - |
| Housing grants and subsidies | - | - | - | - |
| **Total Operating Expenses** | 8,856 | 2,394 | 1,710 | 2,645 |
| **Operating Income (Loss)** | 793 | 1,090 | 576 | (144) |
| **NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS** | | | | |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Special Items | - | - | - | - |
| Transfers - Internal | 1,702 | 761 | (303) | 68 |
| Change in Net Assets | 2,495 | 1,851 | 273 | (76) |
| Net assets at beginning of year | 41,701 | 2,837 | 2,674 | 2,108 |
| **Net Assets at End of Period** | 44,196 | 4,688 | 2,947 | 2,032 |

**Schedule 12**
*continued on next page*

| Bonds 2007 A | Bonds 2007 B | Bonds 2007 C | Bonds 2007 D | Bonds 2008 A | Bonds 2008 B | Bonds 2009 A |
|---|---|---|---|---|---|---|
| 3,514 | 3,753 | 3,444 | 4,443 | 3,011 | 3,672 | 4,604 |
| 32 | 29 | 14 | 31 | 14 | 13 | 33 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 32 | 29 | 14 | 31 | 14 | 13 | 33 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 3,546 | 3,782 | 3,458 | 4,474 | 3,025 | 3,685 | 4,637 |
| 2,862 | 2,858 | 3,175 | 3,404 | 2,908 | 3,495 | 3,038 |
| 270 | 281 | 235 | 340 | 194 | 239 | 333 |
| 171 | 129 | 141 | 188 | 128 | 128 | 74 |
| (54) | (165) | (197) | 61 | (329) | (315) | (429) |
| 573 | 592 | 559 | 698 | 448 | 561 | 905 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 3,822 | 3,695 | 3,913 | 4,691 | 3,349 | 4,108 | 3,921 |
| (276) | 87 | (455) | (217) | (324) | (423) | 716 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (49) | 655 | (126) | 377 | (264) | (469) | 4,300 |
| (325) | 742 | (581) | 160 | (588) | (892) | 5,016 |
| 9,773 | 9,707 | 3,537 | 10,269 | 3,079 | 4,080 | 35,972 |
| 9,448 | 10,449 | 2,956 | 10,429 | 2,491 | 3,188 | 40,988 |

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## ALASKA HOUSING FINANCE CORPORATION

**Schedule 12**

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

FIRST TIME HOMEBUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Year Ended June 30, 2011

*(in thousands of dollars)*

| | Bonds 2009 B | Bonds 2009 C | Bonds 2009 D | Home Mortgage Revenue Bonds Combined Total |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Mortgage and loans revenue | 4,568 | 4,490 | 4,975 | 58,294 |
| Investment interest | 35 | 10 | 39 | 350 |
| Net change in the fair value of investments | - | - | - | - |
| Net change of hedge termination | - | - | - | - |
| Total Investment Revenue | 35 | 10 | 39 | 350 |
| Externally funded program | - | - | - | - |
| Rental | - | - | - | - |
| Other | - | - | - | - |
| **Total Operating Revenues** | 4,603 | 4,500 | 5,014 | 58,644 |
| **OPERATING EXPENSES** | | | | |
| Interest | 3,022 | 3,531 | 3,073 | 45,386 |
| Mortgage and loan costs | 334 | 338 | 324 | 4,103 |
| Financing expenses | 76 | 87 | 974 | 3,192 |
| Provision for loan loss | (419) | 27 | (785) | (6,058) |
| Operations and administration | 907 | 693 | 874 | 9,537 |
| Rental housing operating expenses | - | - | - | - |
| Housing grants and subsidies | - | - | - | - |
| **Total Operating Expenses** | 3,920 | 4,676 | 4,460 | 56,160 |
| **Operating Income (Loss)** | 683 | (176) | 554 | 2,484 |
| **NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS** | | | | |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Special Items | - | - | - | - |
| Transfers - Internal | 4,068 | 318 | 4,683 | 15,721 |
| Change in Net Assets | 4,751 | 142 | 5,237 | 18,205 |
| Net assets at beginning of year | 36,280 | 3,775 | 34,437 | 200,229 |
| **Net Assets at End of Period** | 41,031 | 3,917 | 39,674 | 218,434 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Year Ended June 30, 2011

*(in thousands of dollars)*

| | Collateralized Bonds 1999 First Series | Collateralized Bonds 2000 First Series | Collateralized Bonds 2002 First Series | Collateralized Bonds/Notes 2005 First & Second Series |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Mortgage and loans revenue | 1,397 | 679 | 875 | 578 |
| Investment interest | 399 | 269 | 3 | 3 |
| Net change in the fair value of investments | - | - | - | - |
| Net change of hedge termination | - | - | - | - |
| Total Investment Revenue | 399 | 269 | 3 | 3 |
| Externally funded program | - | - | - | - |
| Rental | - | - | - | - |
| Other | - | - | - | - |
| **Total Operating Revenues** | 1,796 | 948 | 878 | 581 |
| **OPERATING EXPENSES** | | | | |
| Interest | 1,047 | 526 | 569 | 387 |
| Mortgage and loan costs | 93 | 44 | 57 | 40 |
| Financing expenses | 528 | 278 | 45 | (202) |
| Provision for loan loss | (508) | (162) | (22) | (82) |
| Operations and administration | 139 | 66 | 124 | 97 |
| Rental housing operating expenses | - | - | - | - |
| Housing grants and subsidies | - | - | - | - |
| **Total Operating Expenses** | 1,299 | 752 | 773 | 240 |
| **Operating Income (Loss)** | 497 | 196 | 105 | 341 |
| **NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS** | | | | |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Special Items | - | - | - | - |
| Transfers - Internal | (13,246) | (7,404) | 135 | 200 |
| Change in Net Assets | (12,749) | (7,208) | 240 | 541 |
| Net assets at beginning of year | 12,749 | 7,208 | 5,558 | 4,465 |
| **Net Assets at End of Period** | - | - | 5,798 | 5,006 |

**Schedule 13**

| Collateralized Bonds 2006 First Series | Collateralized Bonds 2007 & 2008 First Series | Combined Total |
|---|---|---|
| 12,753 | 3,373 | 19,655 |
| 52 | 23 | 749 |
| - | - | - |
| - | - | - |
| 52 | 23 | 749 |
| - | - | - |
| - | - | - |
| - | - | - |
| 12,805 | 3,396 | 20,404 |
| 8,387 | 2,654 | 13,570 |
| 901 | 236 | 1,371 |
| 51 | 37 | 737 |
| (1,625) | 975 | (1,424) |
| 2,120 | 615 | 3,161 |
| - | - | - |
| - | - | - |
| 9,834 | 4,517 | 17,415 |
| 2,971 | (1,121) | 2,989 |
| - | - | - |
| - | - | - |
| 3,756 | 6,929 | (9,630) |
| 6,727 | 5,808 | (6,641) |
| 62,106 | 12,208 | 104,294 |
| 68,833 | 18,016 | 97,653 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

OTHER HOUSING BONDS

For the Year Ended June 30, 2011

*(in thousands of dollars)*

| | Senior Housing Bond Program | Housing Development Bonds | General Mortgage Revenue Bonds 2002 A | Governmental Purpose Bonds 1997 A |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Mortgage and loans revenue | 1,233 | 16,707 | 6,071 | 323 |
| Investment interest | 8 | 21 | 112 | 5 |
| Net change in the fair value of investments | - | - | - | - |
| Net change of hedge termination | - | - | - | - |
| Total Investment Revenue | 8 | 21 | 112 | 5 |
| Externally funded program | - | - | - | - |
| Rental | - | - | - | - |
| Other | - | - | - | - |
| **Total Operating Revenues** | 1,241 | 16,728 | 6,183 | 328 |
| **OPERATING EXPENSES** | | | | |
| Interest | - | 12,281 | 7,092 | 31 |
| Mortgage and loan costs | 87 | 673 | 397 | - |
| Financing expenses | - | 218 | 65 | 38 |
| Provision for loan loss | 68 | (1,229) | 155 | - |
| Operations and administration | 180 | 2,111 | 1,475 | 156 |
| Rental housing operating expenses | - | - | - | - |
| Housing grants and subsidies | - | - | - | - |
| **Total Operating Expenses** | 335 | 14,054 | 9,184 | 225 |
| **Operating Income (Loss)** | 906 | 2,674 | (3,001) | 103 |
| **NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS** | | | | |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Special Items | - | - | - | - |
| Transfers - Internal | 343 | (5,974) | 7,255 | 180 |
| Change in Net Assets | 1,249 | (3,300) | 4,254 | 283 |
| Net assets at beginning of year | 25,268 | 36,616 | 64,219 | 6,416 |
| **Net Assets at End of Period** | 26,517 | 33,316 | 68,473 | 6,699 |

Schedule 14

| Governmental Purpose Bonds 2001 A-D | Combined Total |
|---|---|
| 11,304 | 35,638 |
| 2,683 | 2,829 |
| - | - |
| - | - |
| 2,683 | 2,829 |
| - | - |
| - | - |
| - | - |
| 13,987 | 38,467 |
| 5,025 | 24,429 |
| 780 | 1,937 |
| 1,037 | 1,358 |
| (97) | (1,103) |
| 1,518 | 5,440 |
| - | - |
| - | - |
| 8,263 | 32,061 |
| 5,724 | 6,406 |
| - | - |
| - | - |
| (61,631) | (59,827) |
| (55,907) | (53,421) |
| 167,288 | 299,807 |
| 111,381 | 246,386 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

NON-HOUSING BONDS

For the Year Ended June 30, 2011

*(in thousands of dollars)*

| | State Capital Project Bonds 2002 A, B, C | State Capital Project Bonds 2006 A | State Capital Project Bonds 2007 A & B | State Capital Project Bonds 2011 A |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Mortgage and loans revenue | 2,876 | 5,073 | 2,510 | 1,204 |
| Investment interest | 170 | 25 | 1,644 | 3 |
| Net change in the fair value of investments | (42) | - | - | - |
| Net change of hedge termination | 410 | - | - | - |
| Total Investment Revenue | 538 | 25 | 1,644 | 3 |
| Externally funded program | - | - | - | - |
| Rental | - | - | - | - |
| Other | - | - | - | - |
| **Total Operating Revenues** | 3,414 | 5,098 | 4,154 | 1,207 |
| **OPERATING EXPENSES** | | | | |
| Interest | 3,136 | 4,197 | 3,966 | 1,442 |
| Mortgage and loan costs | 247 | 413 | 219 | 82 |
| Financing expenses | 190 | 68 | 83 | 94 |
| Provision for loan loss | 138 | 666 | (252) | 2,550 |
| Operations and administration | 517 | 839 | 369 | 949 |
| Rental housing operating expenses | - | - | - | - |
| Housing grants and subsidies | - | - | - | - |
| **Total Operating Expenses** | 4,228 | 6,183 | 4,385 | 5,117 |
| **Operating Income (Loss)** | (814) | (1,085) | (231) | (3,910) |
| **NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS** | | | | |
| Contributions to the State of Alaska or other State agencies | (263) | (927) | - | - |
| Special Items | - | - | - | - |
| Transfers - Internal | 5,171 | 751 | 733 | 5,153 |
| Change in Net Assets | 4,094 | (1,261) | 502 | 1,243 |
| Net assets at beginning of year | (712) | 6,575 | 4,108 | - |
| **Net Assets at End of Period** | 3,382 | 5,314 | 4,610 | 1,243 |

**Schedule 15**

| General Housing Purpose Bonds 2005 A | General Housing Purpose Bonds 2005 B & C | Combined Total |
|---|---|---|
| 7,827 | 4,530 | 24,020 |
| 190 | 1,028 | 3,060 |
| (14) | - | (56) |
| - | - | 410 |
| 176 | 1,028 | 3,414 |
| - | - | - |
| - | - | - |
| - | - | - |
| 8,003 | 5,558 | 27,434 |
| 6,837 | 7,555 | 27,133 |
| 534 | 350 | 1,845 |
| 106 | 133 | 674 |
| 449 | (241) | 3,310 |
| 1,108 | 751 | 4,533 |
| - | - | - |
| - | - | - |
| 9,034 | 8,548 | 37,495 |
| (1,031) | (2,990) | (10,061) |
| (2,591) | - | (3,781) |
| - | - | - |
| 952 | 828 | 13,588 |
| (2,670) | (2,162) | (254) |
| 14,610 | (4,227) | 20,354 |
| 11,940 | (6,389) | 20,100 |

## ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

OTHER PROGRAM FUNDS

For the Year Ended June 30, 2011

*(in thousands of dollars)*

| | Energy Programs | Low Rent Program | Affordable Housing Programs | Section 8 Vouchers Program |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Mortgage and loans revenue | - | - | - | - |
| Investment interest | 5 | 5 | 3 | 10 |
| Net change in the fair value of investments | - | - | - | - |
| Net change of hedge termination | - | - | - | - |
| Total Investment Revenue | 5 | 5 | 3 | 10 |
| Externally funded program | 115,490 | 11,940 | 2,244 | 35,757 |
| Rental | - | 5,872 | 2,097 | (1) |
| Other | 2 | 11 | - | 8 |
| **Total Operating Revenues** | 115,497 | 17,828 | 4,344 | 35,774 |
| **OPERATING EXPENSES** | | | | |
| Interest | - | 12 | - | - |
| Mortgage and loan costs | - | - | - | - |
| Financing expenses | - | - | - | - |
| Provision for loan loss | - | - | - | - |
| Operations and administration | 4,732 | 13,115 | 2,832 | 4,089 |
| Rental housing operating expenses | 331 | 10,072 | 1,922 | 108 |
| Housing grants and subsidies | 110,644 | - | - | 30,536 |
| **Total Operating Expenses** | 115,707 | 23,199 | 4,754 | 34,733 |
| **Operating Income (Loss)** | (210) | (5,371) | (410) | 1,041 |
| **NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS** | | | | |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Special Items | - | - | - | - |
| Transfers - Internal | 854 | 4,321 | 833 | (83) |
| Change in Net Assets | 644 | (1,050) | 423 | 958 |
| Net assets at beginning of year | 1,798 | 95,247 | 28,171 | 1,163 |
| **Net Assets at End of Period** | 2,442 | 94,197 | 28,594 | 2,121 |

**Schedule 16**

| Other Programs | Combined Total |
|---|---|
| - | - |
| - | 23 |
| - | - |
| - | - |
| - | 23 |
| 28,980 | 194,411 |
| - | 7,968 |
| 544 | 565 |
| 29,524 | 202,967 |
| - | 12 |
| - | - |
| - | - |
| - | - |
| 1,457 | 26,225 |
| - | 12,433 |
| 54,988 | 196,168 |
| 56,445 | 234,838 |
| (26,921) | (31,871) |
| - | - |
| - | - |
| 10,536 | 16,461 |
| (16,385) | (15,410) |
| (5,254) | 121,125 |
| (21,639) | 105,715 |

**ALASKA HOUSING FINANCE CORPORATION**
(A Component Unit of the State of Alaska)
**STATEMENT OF CASH FLOWS**
COMBINED - ALL FUNDS
For the Year Ended June 30, 2011
*(in thousands of dollars)*

| | Combined Revolving Funds | Combined Mortgage Revenue Bonds | Combined Home Mortgage Revenue Bonds | Combined Veterans Mortgage Program Bonds and Notes |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Interest income on mortgages and loans | 8,559 | 12,019 | 55,009 | 18,760 |
| Principal payments received on mortgages and loans | 26,135 | 37,033 | 234,981 | 93,134 |
| Purchases of mortgages and loans | (415,918) | - | - | - |
| Receipt (payment) for loan transfers between funds | 402,025 | (91,129) | (110,335) | (86,281) |
| Payments to employees and other payroll disbursements | (22,171) | - | - | - |
| Payments for goods and services | (12,594) | - | - | - |
| Cash received for externally funded programs | - | - | - | - |
| Cash received for Federal HAP subsidies | - | - | - | - |
| Payments for Federal HAP subsidies | - | - | - | - |
| Interfund Receipts | 1,006,742 | 48,943 | 294,681 | 115,193 |
| Interfund Payments | (1,021,891) | (49,063) | (290,058) | (111,920) |
| Grant payments to other agencies | (12,128) | - | - | - |
| Other operating cash receipts | 39,394 | - | - | - |
| Other operating cash payments | (11,989) | - | - | - |
| **Net cash provided by (used for) operating activities** | (13,836) | (42,197) | 184,278 | 28,886 |
| **Cash flows from noncapital financing activities:** | | | | |
| Proceeds from the issuance of bonds | - | 78,581 | - | - |
| Principal paid on bonds | - | (129,920) | (88,020) | (55,505) |
| Payment to defease bonds | - | - | - | - |
| Payment of bond issuance costs | (1,580) | - | - | - |
| Interest paid | (444) | (11,122) | (45,216) | (13,836) |
| Proceeds from issuance of short term debt | 625,296 | - | - | - |
| Payment of short term debt | (688,167) | - | - | - |
| Contributions to the State of Alaska or other State agencies | (40,795) | - | - | - |
| Transfers (to) from other funds | 123,839 | 55,726 | (18,905) | (5,781) |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) noncapital financing activities** | 18,149 | (6,735) | (152,141) | (75,122) |
| **Cash flows from capital financing activities:** | | | | |
| Acquisition of capital assets | (2,199) | - | - | - |
| Proceeds from the disposal of capital assets | - | - | - | - |
| Proceeds from the issuance of capital notes | - | - | - | - |
| Principal paid on capital notes | - | - | - | - |
| Payment of bond issuance costs | (84) | - | - | - |
| Interest paid on capital notes | - | - | - | - |
| Proceeds from the direct financing lease payments | - | - | - | - |
| Other cash payments | (411) | - | - | - |
| **Net cash provided by (used for) capital financing activities** | (2,694) | - | - | - |
| **Cash flows from investing activities:** | | | | |
| Purchase of investments | (5,325,349) | (176,786) | (447,007) | (136,975) |
| Proceeds from maturity of investments | 5,326,435 | 233,070 | 414,513 | 182,357 |
| Interest received from investments | 572 | 718 | 357 | 854 |
| **Net cash provided by (used for) investing activities** | 1,658 | 57,002 | (32,137) | 46,236 |
| Net Increase (decrease) in cash | 3,277 | 8,070 | - | - |
| Cash at the beginning of year | 38,175 | - | - | - |
| **Cash at the end of period** | 41,452 | 8,070 | - | - |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities** | | | | |
| Operating income (loss) | 21,793 | (4,651) | 2,484 | 2,989 |
| *Adjustments:* | | | | |
| Depreciation expense | 436 | - | | - |
| Provision for loan losses | (2,128) | 730 | (6,058) | (1,424) |
| Amortization of bond issuance costs | - | 2,107 | 895 | 919 |
| Net change in the fair value of investments | (7,822) | - | - | - |
| Transfers between funds for operating activity | (43,019) | 1,351 | 12,054 | 3,031 |
| Interest received from investments | (572) | (718) | (357) | (854) |
| Interest paid | 444 | 11,122 | 45,216 | 13,836 |
| *Changes in assets and liabilities:* | | | | |
| Net increase (decrease) in mortgages and loans | 12,242 | (54,096) | 124,646 | 6,853 |
| Net increase (decrease) in assets and liabilities | 4,790 | 1,958 | 5,398 | 3,536 |
| **Net cash provided by (used for) operating activities** | (13,836) | (42,197) | 184,278 | 28,886 |

*Schedule 17*

| Combined Other Housing Bonds | Combined Non-Housing Bonds | Combined Other Programs | Combined Total |
|---|---|---|---|
| 34,221 | 22,999 | - | 151,567 |
| 125,123 | 96,968 | - | 613,374 |
| - | - | - | (415,918) |
| (77,128) | (37,152) | - | - |
| - | - | (13,475) | (35,646) |
| - | - | (12,691) | (25,285) |
| - | - | 158,987 | 158,987 |
| - | - | 38,944 | 38,944 |
| - | - | (37,940) | (37,940) |
| 157,280 | 119,225 | 174,161 | 1,916,225 |
| (157,878) | (119,992) | (165,423) | (1,916,225) |
| - | - | (146,173) | (158,301) |
| 75 | 218 | 8,551 | 48,238 |
| - | (61) | (64) | (12,114) |
| 81,693 | 82,205 | 4,877 | 325,906 |
| | | | |
| - | 95,130 | - | 173,711 |
| (12,230) | (10,073) | - | (295,748) |
| - | - | - | - |
| - | - | - | (1,580) |
| (24,092) | (24,645) | - | (119,355) |
| - | - | - | 625,296 |
| - | - | - | (688,167) |
| - | (3,781) | - | (44,576) |
| (64,973) | (89,906) | - | - |
| - | - | - | - |
| (101,295) | (33,275) | - | (350,419) |
| | | | |
| - | (11,961) | (2,220) | (16,380) |
| - | - | 9 | 9 |
| - | 14,215 | - | 14,215 |
| - | (3,798) | - | (3,798) |
| - | - | - | (84) |
| - | (3,020) | - | (3,020) |
| - | 6,771 | - | 6,771 |
| - | - | - | (411) |
| - | 2,207 | (2,211) | (2,698) |
| | | | |
| (295,563) | (172,632) | - | (6,554,312) |
| 312,218 | 121,188 | - | 6,589,781 |
| 2,947 | 464 | 23 | 5,935 |
| 19,602 | (50,980) | 23 | 41,404 |
| | | | |
| - | 157 | 2,689 | 14,193 |
| - | 2,969 | 18,074 | 59,218 |
| - | 3,126 | 20,763 | 73,411 |
| | | | |
| 6,406 | (10,061) | (31,871) | (12,911) |
| | | | |
| - | - | 6,674 | 7,110 |
| (1,103) | 3,310 | - | (6,673) |
| 330 | 283 | - | 4,534 |
| - | 56 | - | (7,766) |
| 6,042 | 6,165 | 14,376 | - |
| (2,947) | (464) | (23) | (5,935) |
| 24,092 | 27,665 | - | 122,375 |
| | | | |
| 47,995 | 59,816 | - | 197,456 |
| 878 | (4,565) | 15,721 | 27,716 |
| 81,693 | 82,205 | 4,877 | 325,906 |

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## ALASKA HOUSING FINANCE CORPORATION
*Schedule 18*

(A Component Unit of the State of Alaska)
**STATEMENT OF CASH FLOWS**
REVOLVING FUNDS
For the Year Ended June 30, 2011
*(in thousands of dollars)*

| | Administrative Fund | Home Ownership Fund | Combined Total |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Interest income on mortgages and loans | 8,559 | - | 8,559 |
| Principal payments received on mortgages and loans | 26,135 | - | 26,135 |
| Purchases of mortgages and loans | (415,918) | - | (415,918) |
| Receipt (payment) for loan transfers between funds | 402,025 | - | 402,025 |
| Payments to employees and other payroll disbursements | (22,171) | - | (22,171) |
| Payments for goods and services | (12,594) | - | (12,594) |
| Cash received for externally funded programs | - | - | - |
| Cash received for Federal HAP subsidies | - | - | - |
| Payments for Federal HAP subsidies | - | - | - |
| Interfund Receipts | 1,006,742 | - | 1,006,742 |
| Interfund Payments | (1,021,891) | - | (1,021,891) |
| Grant payments to other agencies | (12,128) | - | (12,128) |
| Other operating cash receipts | 39,392 | 2 | 39,394 |
| Other operating cash payments | (11,989) | - | (11,989) |
| **Net cash provided by (used for) operating activities** | (13,838) | 2 | (13,836) |
| **Cash flows from noncapital financing activities:** | | | |
| Proceeds from the issuance of bonds | - | - | - |
| Principal paid on bonds | - | - | - |
| Payment to defease bonds | - | - | - |
| Payment of bond issuance costs | (1,580) | - | (1,580) |
| Interest paid | (444) | - | (444) |
| Proceeds from issuance of short term debt | 625,296 | - | 625,296 |
| Payment of short term debt | (688,167) | - | (688,167) |
| Contributions to the State of Alaska or other State agencies | (40,795) | - | (40,795) |
| Transfers (to) from other funds | 123,839 | - | 123,839 |
| Other cash payments | - | - | - |
| **Net cash provided by (used for) noncapital financing activities** | 18,149 | - | 18,149 |
| **Cash flows from capital financing activities:** | | | |
| Acquisition of capital assets | (2,199) | - | (2,199) |
| Proceeds from the disposal of capital assets | - | - | - |
| Proceeds from the issuance of capital notes | - | - | - |
| Principal paid on capital notes | - | - | - |
| Payment of bond issuance costs | (84) | - | (84) |
| Interest paid on capital notes | - | - | - |
| Proceeds from the direct financing lease payments | - | - | - |
| Other cash payments | (411) | - | (411) |
| **Net cash provided by (used for) capital financing activities** | (2,694) | - | (2,694) |
| **Cash flows from investing activities:** | | | |
| Purchase of investments | (5,325,329) | (20) | (5,325,349) |
| Proceeds from maturity of investments | 5,326,435 | - | 5,326,435 |
| Interest received from investments | 552 | 20 | 572 |
| **Net cash provided by (used for) investing activities** | 1,658 | - | 1,658 |
| Net Increase (decrease) in cash | 3,275 | 2 | 3,277 |
| Cash at the beginning of year | 37,812 | 363 | 38,175 |
| **Cash at the end of period** | 41,087 | 365 | 41,452 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities** | | | |
| Operating income (loss) | 21,772 | 21 | 21,793 |
| *Adjustments:* | | | |
| Depreciation expense | 436 | - | 436 |
| Provision for loan losses | (2,128) | - | (2,128) |
| Amortization of bond issuance costs | - | - | - |
| Net change in the fair value of investments | (7,822) | - | (7,822) |
| Transfers between funds for operating activity | (43,019) | - | (43,019) |
| Interest received from investments | (552) | (20) | (572) |
| Interest paid | 444 | - | 444 |
| *Changes in assets and liabilities:* | | | |
| Net increase (decrease) in mortgages and loans | 12,242 | - | 12,242 |
| Net increase (decrease) in assets and liabilities | 4,789 | 1 | 4,790 |
| **Net cash provided by (used for) operating activities** | (13,838) | 2 | (13,836) |

**ALASKA HOUSING FINANCE CORPORATION**
(A Component Unit of the State of Alaska)
**STATEMENT OF CASH FLOWS**
FIRST TIME HOMEBUYERS PROGRAM
MORTGAGE REVENUE BONDS
For the Year Ended June 30, 2011
*(in thousands of dollars)*

| | Bonds 1998 A | Bonds 1999 A | Bonds 2000 A-D | Bonds 2001 A,B |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Interest income on mortgages and loans | 958 | 2,873 | 1,967 | 2,649 |
| Principal payments received on mortgages and loans | 3,677 | 9,701 | 7,324 | 8,027 |
| Purchases of mortgages and loans | - | - | - | - |
| Receipt (payment) for loan transfers between funds | 349 | 229 | 461 | 90 |
| Payments to employees and other payroll disbursements | - | - | - | - |
| Payments for goods and services | - | - | - | - |
| Cash received for externally funded programs | - | - | - | - |
| Cash received for Federal HAP subsidies | - | - | - | - |
| Payments for Federal HAP subsidies | - | - | - | - |
| Interfund Receipts | 4,380 | 13,044 | 10,085 | 10,966 |
| Interfund Payments | (4,636) | (12,577) | (9,293) | (10,679) |
| Grant payments to other agencies | - | - | - | - |
| Other operating cash receipts | - | - | - | - |
| Other operating cash payments | - | - | - | - |
| **Net cash provided by (used for) operating activities** | 4,728 | 13,270 | 10,544 | 11,053 |
| **Cash flows from noncapital financing activities:** | | | | |
| Proceeds from the issuance of bonds | - | - | - | - |
| Principal paid on bonds | (14,585) | (56,205) | (48,935) | (8,695) |
| Payment to defease bonds | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid | (596) | (2,705) | (2,606) | (2,338) |
| Proceeds from issuance of short term debt | - | - | - | - |
| Payment of short term debt | - | - | - | - |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Transfers (to) from other funds | 8,692 | 38,680 | 36,544 | 6,461 |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) noncapital financing activities** | (6,489) | (20,230) | (14,997) | (4,572) |
| **Cash flows from capital financing activities:** | | | | |
| Acquisition of capital assets | - | - | - | - |
| Proceeds from the disposal of capital assets | - | - | - | - |
| Proceeds from the issuance of capital notes | - | - | - | - |
| Principal paid on capital notes | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid on capital notes | - | - | - | - |
| Proceeds from the direct financing lease payments | - | - | - | - |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) capital financing activities** | - | - | - | - |
| **Cash flows from investing activities:** | | | | |
| Purchase of investments | (8,854) | (24,479) | (37,734) | (13,961) |
| Proceeds from maturity of investments | 10,509 | 31,054 | 42,044 | 15,540 |
| Interest received from investments | 106 | 385 | 143 | 10 |
| **Net cash provided by (used for) investing activities** | 1,761 | 6,960 | 4,453 | 1,589 |
| Net Increase (decrease) in cash | - | - | - | 8,070 |
| Cash at the beginning of year | - | - | - | - |
| **Cash at the end of period** | - | - | - | 8,070 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities** | | | | |
| Operating income (loss) | 754 | 1,123 | 410 | (332) |
| *Adjustments:* | | | | |
| Depreciation expense | - | - | - | - |
| Provision for loan losses | (539) | (1,310) | (1,470) | 143 |
| Amortization of bond issuance costs | 271 | 789 | 736 | 134 |
| Net change in the fair value of investments | - | - | - | - |
| Transfers between funds for operating activity | (525) | (1,564) | (180) | 416 |
| Interest received from investments | (106) | (385) | (143) | (10) |
| Interest paid | 596 | 2,705 | 2,606 | 2,338 |
| *Changes in assets and liabilities:* | | | | |
| Net increase (decrease) in mortgages and loans | 4,026 | 9,930 | 7,785 | 8,117 |
| Net increase (decrease) in assets and liabilities | 251 | 1,982 | 800 | 247 |
| **Net cash provided by (used for) operating activities** | 4,728 | 13,270 | 10,544 | 11,053 |

| Bonds 2009 A | Bonds 2009 A-1 2010 A, B | Mortgage Revenue Bonds Combined Total |
|---|---|---|
| - | 3,572 | 12,019 |
| - | 8,304 | 37,033 |
| - | - | - |
| - | (92,258) | (91,129) |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | 10,468 | 48,943 |
| - | (11,878) | (49,063) |
| - | - | - |
| - | - | - |
| - | - | - |
| - | (81,792) | (42,197) |
| | | |
| - | 78,581 | 78,581 |
| - | (1,500) | (129,920) |
| - | - | - |
| - | - | - |
| (68) | (2,809) | (11,122) |
| - | - | - |
| - | - | - |
| - | - | - |
| (65,637) | 30,986 | 55,726 |
| - | - | - |
| (65,705) | 105,258 | (6,735) |
| | | |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| | | |
| (6) | (91,752) | (176,786) |
| 65,705 | 68,218 | 233,070 |
| 6 | 68 | 718 |
| 65,705 | (23,466) | 57,002 |
| | | |
| - | - | 8,070 |
| - | - | - |
| - | - | 8,070 |
| | | |
| (1,457) | (5,149) | (4,651) |
| | | |
| - | - | - |
| - | 3,906 | 730 |
| 148 | 29 | 2,107 |
| - | - | - |
| 1,205 | 1,999 | 1,351 |
| (6) | (68) | (718) |
| 68 | 2,809 | 11,122 |
| | | |
| - | (83,954) | (54,096) |
| 42 | (1,364) | 1,958 |
| - | (81,792) | (42,197) |

**ALASKA HOUSING FINANCE CORPORATION**
(A Component Unit of the State of Alaska)
**STATEMENT OF CASH FLOWS**
FIRST TIME HOMEBUYERS PROGRAM
HOME MORTGAGE REVENUE BONDS
For the Year Ended June 30, 2011
*(in thousands of dollars)*

| | Bonds 2002 A,B | Bonds 2006 A | Bonds 2006 B | Bonds 2006 C |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Interest income on mortgages and loans | 9,085 | 3,239 | 2,159 | 2,315 |
| Principal payments received on mortgages and loans | 28,528 | 11,051 | 11,652 | 9,279 |
| Purchases of mortgages and loans | - | - | - | - |
| Receipt (payment) for loan transfers between funds | (24,500) | 2,131 | 673 | 1,063 |
| Payments to employees and other payroll disbursements | - | - | - | - |
| Payments for goods and services | - | - | - | - |
| Cash received for externally funded programs | - | - | - | - |
| Cash received for Federal HAP subsidies | - | - | - | - |
| Payments for Federal HAP subsidies | - | - | - | - |
| Interfund Receipts | 37,991 | 14,452 | 14,083 | 11,878 |
| Interfund Payments | (37,623) | (14,293) | (13,814) | (11,597) |
| Grant payments to other agencies | - | - | - | - |
| Other operating cash receipts | - | - | - | - |
| Other operating cash payments | - | - | - | - |
| **Net cash provided by (used for) operating activities** | 13,481 | 16,580 | 14,753 | 12,938 |
| **Cash flows from noncapital financing activities:** | | | | |
| Proceeds from the issuance of bonds | - | - | - | - |
| Principal paid on bonds | (1,260) | (13,655) | (11,685) | (11,615) |
| Payment to defease bonds | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid | (5,821) | (3,184) | (2,229) | (2,648) |
| Proceeds from issuance of short term debt | - | - | - | - |
| Payment of short term debt | - | - | - | - |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Transfers (to) from other funds | (2,638) | - | (1,134) | (595) |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) noncapital financing activities** | (9,719) | (16,839) | (15,048) | (14,858) |
| **Cash flows from capital financing activities:** | | | | |
| Acquisition of capital assets | - | - | - | - |
| Proceeds from the disposal of capital assets | - | - | - | - |
| Proceeds from the issuance of capital notes | - | - | - | - |
| Principal paid on capital notes | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid on capital notes | - | - | - | - |
| Proceeds from the direct financing lease payments | - | - | - | - |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) capital financing activities** | - | - | - | - |
| **Cash flows from investing activities:** | | | | |
| Purchase of investments | (103,766) | (17,942) | (17,840) | (15,668) |
| Proceeds from maturity of investments | 99,940 | 18,186 | 18,123 | 17,575 |
| Interest received from investments | 64 | 15 | 12 | 13 |
| **Net cash provided by (used for) investing activities** | (3,762) | 259 | 295 | 1,920 |
| Net Increase (decrease) in cash | - | - | - | - |
| Cash at the beginning of year | - | - | - | - |
| **Cash at the end of period** | - | - | - | - |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities** | | | | |
| Operating income (loss) | 793 | 1,090 | 576 | (144) |
| *Adjustments:* | | | | |
| Depreciation expense | - | - | - | - |
| Provision for loan losses | (519) | (1,489) | (1,004) | (441) |
| Amortization of bond issuance costs | 31 | 130 | 115 | 110 |
| Net change in the fair value of investments | - | - | - | - |
| Transfers between funds for operating activity | 2,227 | 467 | 367 | 363 |
| Interest received from investments | (64) | (15) | (12) | (13) |
| Interest paid | 5,821 | 3,184 | 2,229 | 2,648 |
| *Changes in assets and liabilities:* | | | | |
| Net increase (decrease) in mortgages and loans | 4,028 | 13,182 | 12,325 | 10,342 |
| Net increase (decrease) in assets and liabilities | 1,164 | 31 | 157 | 73 |
| **Net cash provided by (used for) operating activities** | 13,481 | 16,580 | 14,753 | 12,938 |

***Schedule 20***

*continued on next page*

| Bonds 2007 A | Bonds 2007 B | Bonds 2007 C | Bonds 2007 D | Bonds 2008 A | Bonds 2008 B | Bonds 2009 A |
|---|---|---|---|---|---|---|
| 3,340 | 3,576 | 3,203 | 4,190 | 2,845 | 3,424 | 4,356 |
| 20,315 | 15,696 | 11,214 | 18,675 | 14,153 | 12,425 | 22,544 |
| - | - | - | - | - | - | - |
| (11,790) | (11,969) | 1,853 | (10,781) | 1,443 | 1,256 | (19,733) |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 23,733 | 19,591 | 15,650 | 22,756 | 17,503 | 15,844 | 28,189 |
| (23,661) | (19,276) | (14,420) | (22,871) | (17,002) | (15,852) | (26,906) |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 11,937 | 7,618 | 17,500 | 11,969 | 18,942 | 17,097 | 8,450 |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | (14,485) | - | (15,525) | (12,965) | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (2,821) | (2,818) | (3,230) | (3,350) | (2,972) | (3,531) | (3,013) |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (1,563) | (941) | (1,167) | (1,592) | (1,408) | (1,070) | (1,450) |
| - | - | - | - | - | - | - |
| (4,384) | (3,759) | (18,882) | (4,942) | (19,905) | (17,566) | (4,463) |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| | | | | | | |
| (34,407) | (31,690) | (20,378) | (35,956) | (20,062) | (19,053) | (37,060) |
| 26,822 | 27,801 | 21,746 | 28,897 | 21,010 | 19,509 | 33,039 |
| 32 | 30 | 14 | 32 | 15 | 13 | 34 |
| (7,553) | (3,859) | 1,382 | (7,027) | 963 | 469 | (3,987) |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| | | | | | | |
| (276) | 87 | (455) | (217) | (324) | (423) | 716 |
| | | | | | | |
| - | - | - | - | - | - | - |
| (54) | (165) | (197) | 61 | (329) | (315) | (429) |
| 6 | 4 | 137 | 6 | 125 | 125 | 8 |
| - | - | - | - | - | - | - |
| 808 | 795 | 501 | 947 | 417 | 516 | 1,039 |
| (32) | (30) | (14) | (32) | (15) | (13) | (34) |
| 2,821 | 2,818 | 3,230 | 3,350 | 2,972 | 3,531 | 3,013 |
| | | | | | | |
| 8,525 | 3,727 | 13,067 | 7,894 | 15,596 | 13,681 | 2,811 |
| 139 | 382 | 1,231 | (40) | 500 | (5) | 1,326 |
| 11,937 | 7,618 | 17,500 | 11,969 | 18,942 | 17,097 | 8,450 |

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(A Component Unit of the State of Alaska)
**STATEMENT OF CASH FLOWS**
FIRST TIME HOME BUYERS PROGRAM
HOME MORTGAGE REVEUNE BONDS
For the Year Ended June 30, 2011
*(in thousands of dollars)*

| | Bonds 2009 B | Bonds 2009 C | Bonds 2009 D | Home Mortgage Revenue Bonds Combined Total |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Interest income on mortgages and loans | 4,370 | 4,136 | 4,771 | 55,009 |
| Principal payments received on mortgages and loans | 24,210 | 4,876 | 30,363 | 234,981 |
| Purchases of mortgages and loans | - | - | - | - |
| Receipt (payment) for loan transfers between funds | (19,875) | (1,467) | (18,639) | (110,335) |
| Payments to employees and other payroll disbursements | - | - | - | - |
| Payments for goods and services | - | - | - | - |
| Cash received for externally funded programs | - | - | - | - |
| Cash received for Federal HAP subsidies | - | - | - | - |
| Payments for Federal HAP subsidies | - | - | - | - |
| Interfund Receipts | 29,399 | 9,186 | 34,426 | 294,681 |
| Interfund Payments | (28,586) | (9,015) | (35,142) | (290,058) |
| Grant payments to other agencies | - | - | - | - |
| Other operating cash receipts | - | - | - | - |
| Other operating cash payments | - | - | - | - |
| **Net cash provided by (used for) operating activities** | 9,518 | 7,716 | 15,779 | 184,278 |
| **Cash flows from noncapital financing activities:** | | | | |
| Proceeds from the issuance of bonds | - | - | - | - |
| Principal paid on bonds | - | (6,830) | - | (88,020) |
| Payment to defease bonds | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid | (2,996) | (3,548) | (3,055) | (45,216) |
| Proceeds from issuance of short term debt | - | - | - | - |
| Payment of short term debt | - | - | - | - |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Transfers (to) from other funds | (2,149) | (441) | (2,757) | (18,905) |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) noncapital financing activities** | (5,145) | (10,819) | (5,812) | (152,141) |
| **Cash flows from capital financing activities:** | | | | |
| Acquisition of capital assets | - | - | - | - |
| Proceeds from the disposal of capital assets | - | - | - | - |
| Proceeds from the issuance of capital notes | - | - | - | - |
| Principal paid on capital notes | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid on capital notes | - | - | - | - |
| Proceeds from the direct financing lease payments | - | - | - | - |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) capital financing activities** | - | - | - | - |
| **Cash flows from investing activities:** | | | | |
| Purchase of investments | (37,767) | (14,390) | (41,028) | (447,007) |
| Proceeds from maturity of investments | 33,359 | 17,483 | 31,023 | 414,513 |
| Interest received from investments | 35 | 10 | 38 | 357 |
| **Net cash provided by (used for) investing activities** | (4,373) | 3,103 | (9,967) | (32,137) |
| Net Increase (decrease) in cash | - | - | - | - |
| Cash at the beginning of year | - | - | - | - |
| **Cash at the end of period** | - | - | - | - |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities** | | | | |
| Operating income (loss) | 683 | (176) | 554 | 2,484 |
| *Adjustments:* | | | | |
| Depreciation expense | - | - | - | - |
| Provision for loan losses | (419) | 27 | (785) | (6,058) |
| Amortization of bond issuance costs | 7 | 83 | 8 | 895 |
| Net change in the fair value of investments | - | - | - | - |
| Transfers between funds for operating activity | 1,049 | 680 | 1,878 | 12,054 |
| Interest received from investments | (35) | (10) | (38) | (357) |
| Interest paid | 2,996 | 3,548 | 3,055 | 45,216 |
| *Changes in assets and liabilities:* | | | | |
| Net increase (decrease) in mortgages and loans | 4,335 | 3,409 | 11,724 | 124,646 |
| Net increase (decrease) in assets and liabilities | 902 | 155 | (617) | 5,398 |
| **Net cash provided by (used for) operating activities** | 9,518 | 7,716 | 15,779 | 184,278 |

**ALASKA HOUSING FINANCE CORPORATION**
(A Component Unit of the State of Alaska)
**STATEMENT OF CASH FLOWS**
VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED
For the Year Ended June 30, 2011
*(in thousands of dollars)*

| | Collateralized Bonds 1999 First Series | Collateralized Bonds 2000 First Series | Collateralized Bonds 2002 First Series | Collateralized Bonds/Notes 2005 First & Second Series |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Interest income on mortgages and loans | 1,236 | 601 | 840 | 560 |
| Principal payments received on mortgages and loans | 6,566 | 3,112 | 3,615 | 4,241 |
| Purchases of mortgages and loans | - | - | - | - |
| Receipt (payment) for loan transfers between funds | (63) | (149) | (448) | (662) |
| Payments to employees and other payroll disbursements | - | - | - | - |
| Payments for goods and services | - | - | - | - |
| Cash received for externally funded programs | - | - | - | - |
| Cash received for Federal HAP subsidies | - | - | - | - |
| Payments for Federal HAP subsidies | - | - | - | - |
| Interfund Receipts | 8,105 | 3,984 | 4,602 | 4,910 |
| Interfund Payments | (7,804) | (3,714) | (4,456) | (4,802) |
| Grant payments to other agencies | - | - | - | - |
| Other operating cash receipts | - | - | - | - |
| Other operating cash payments | - | - | - | - |
| **Net cash provided by (used for) operating activities** | 8,040 | 3,834 | 4,153 | 4,247 |
| **Cash flows from noncapital financing activities:** | | | | |
| Proceeds from the issuance of bonds | - | - | - | - |
| Principal paid on bonds | (28,255) | (14,545) | (4,020) | (3,050) |
| Payment to defease bonds | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid | (1,189) | (601) | (587) | (401) |
| Proceeds from issuance of short term debt | - | - | - | - |
| Payment of short term debt | - | - | - | - |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Transfers (to) from other funds | 10,567 | 3,893 | (669) | (1,183) |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) noncapital financing activities** | (18,877) | (11,253) | (5,276) | (4,634) |
| **Cash flows from capital financing activities:** | | | | |
| Acquisition of capital assets | - | - | - | - |
| Proceeds from the disposal of capital assets | - | - | - | - |
| Proceeds from the issuance of capital notes | - | - | - | - |
| Principal paid on capital notes | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid on capital notes | - | - | - | - |
| Proceeds from the direct financing lease payments | - | - | - | - |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) capital financing activities** | - | - | - | - |
| **Cash flows from investing activities:** | | | | |
| Purchase of investments | (13,994) | (6,844) | (5,619) | (5,441) |
| Proceeds from maturity of investments | 24,377 | 13,952 | 6,739 | 5,825 |
| Interest received from investments | 454 | 311 | 3 | 3 |
| **Net cash provided by (used for) investing activities** | 10,837 | 7,419 | 1,123 | 387 |
| Net Increase (decrease) in cash | - | - | - | - |
| Cash at the beginning of year | - | - | - | - |
| **Cash at the end of period** | - | - | - | - |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities** | | | | |
| Operating income (loss) | 497 | 196 | 105 | 341 |
| *Adjustments:* | | | | |
| Depreciation expense | - | - | - | - |
| Provision for loan losses | (508) | (162) | (22) | (82) |
| Amortization of bond issuance costs | 524 | 276 | 43 | - |
| Net change in the fair value of investments | - | - | - | - |
| Transfers between funds for operating activity | (430) | (129) | 135 | 198 |
| Interest received from investments | (454) | (311) | (3) | (3) |
| Interest paid | 1,189 | 601 | 587 | 401 |
| *Changes in assets and liabilities:* | | | | |
| Net increase (decrease) in mortgages and loans | 6,503 | 2,963 | 3,167 | 3,579 |
| Net increase (decrease) in assets and liabilities | 719 | 400 | 141 | (187) |
| **Net cash provided by (used for) operating activities** | 8,040 | 3,834 | 4,153 | 4,247 |

*Schedule 21*

| Collateralized Bonds 2006 First Series | Collateralized Bonds 2007 & 2008 First Series | Combined Total |
|---|---|---|
| 12,265 | 3,258 | 18,760 |
| 62,601 | 12,999 | 93,134 |
| - | - | - |
| (54,635) | (30,324) | (86,281) |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 77,202 | 16,390 | 115,193 |
| (74,883) | (16,261) | (111,920) |
| - | - | - |
| - | - | - |
| - | - | - |
| 22,550 | (13,938) | 28,886 |
| - | - | - |
| (4,245) | (1,390) | (55,505) |
| - | - | - |
| - | - | - |
| (8,400) | (2,658) | (13,836) |
| - | - | - |
| - | - | - |
| - | - | - |
| (15,516) | (2,873) | (5,781) |
| - | - | - |
| (28,161) | (6,921) | (75,122) |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| (85,603) | (19,474) | (136,975) |
| 91,158 | 40,306 | 182,357 |
| 56 | 27 | 854 |
| 5,611 | 20,859 | 46,236 |
| - | - | - |
| - | - | - |
| - | - | - |
| 2,971 | (1,121) | 2,989 |
| - | - | - |
| (1,625) | 975 | (1,424) |
| 42 | 34 | 919 |
| - | - | - |
| 2,456 | 801 | 3,031 |
| (56) | (27) | (854) |
| 8,400 | 2,658 | 13,836 |
| 7,966 | (17,325) | 6,853 |
| 2,396 | 67 | 3,536 |
| 22,550 | (13,938) | 28,886 |

**ALASKA HOUSING FINANCE CORPORATION**
(A Component Unit of the State of Alaska)
**STATEMENT OF CASH FLOWS**
OTHER HOUSING BONDS
For the Year Ended June 30, 2011
*(in thousands of dollars)*

| | Senior Housing Bond Program | Housing Development Bonds | General Mortgage Revenue Bonds 2002 A | Governmental Purpose Bonds 1997 A |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Interest income on mortgages and loans | 1,158 | 16,243 | 5,805 | 332 |
| Principal payments received on mortgages and loans | 4,621 | 45,146 | 27,963 | 1,168 |
| Purchases of mortgages and loans | - | - | - | - |
| Receipt (payment) for loan transfers between funds | 163 | (20,019) | (45,813) | - |
| Payments to employees and other payroll disbursements | - | - | - | - |
| Payments for goods and services | - | - | - | - |
| Cash received for externally funded programs | - | - | - | - |
| Cash received for Federal HAP subsidies | - | - | - | - |
| Payments for Federal HAP subsidies | - | - | - | - |
| Interfund Receipts | 6,269 | 57,928 | 34,174 | - |
| Interfund Payments | (5,780) | (61,403) | (33,774) | - |
| Grant payments to other agencies | - | - | - | - |
| Other operating cash receipts | - | 31 | - | - |
| Other operating cash payments | - | - | - | - |
| **Net cash provided by (used for) operating activities** | 6,431 | 37,926 | (11,645) | 1,500 |
| **Cash flows from noncapital financing activities:** | | | | |
| Proceeds from the issuance of bonds | - | - | - | - |
| Principal paid on bonds | - | (5,370) | (2,410) | - |
| Payment to defease bonds | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid | - | (12,297) | (7,090) | (33) |
| Proceeds from issuance of short term debt | - | - | - | - |
| Payment of short term debt | - | - | - | - |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Transfers (to) from other funds | - | (1,570) | - | - |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) noncapital financing activities** | - | (19,237) | (9,500) | (33) |
| **Cash flows from capital financing activities:** | | | | |
| Acquisition of capital assets | - | - | - | - |
| Proceeds from the disposal of capital assets | - | - | - | - |
| Proceeds from the issuance of capital notes | - | - | - | - |
| Principal paid on capital notes | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid on capital notes | - | - | - | - |
| Proceeds from the direct financing lease payments | - | - | - | - |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) capital financing activities** | - | - | - | - |
| **Cash flows from investing activities:** | | | | |
| Purchase of investments | (6,438) | (108,821) | (56,834) | (2,406) |
| Proceeds from maturity of investments | - | 90,111 | 77,859 | 933 |
| Interest received from investments | 7 | 21 | 120 | 6 |
| **Net cash provided by (used for) investing activities** | (6,431) | (18,689) | 21,145 | (1,467) |
| Net Increase (decrease) in cash | - | - | - | - |
| Cash at the beginning of year | - | - | - | - |
| **Cash at the end of period** | - | - | - | - |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities** | | | | |
| Operating income (loss) | 906 | 2,674 | (3,001) | 103 |
| *Adjustments:* | | | | |
| Depreciation expense | - | - | - | - |
| Provision for loan losses | 68 | (1,229) | 155 | - |
| Amortization of bond issuance costs | - | 159 | 56 | 7 |
| Net change in the fair value of investments | - | - | - | - |
| Transfers between funds for operating activity | 180 | 2,272 | 1,663 | 180 |
| Interest received from investments | (7) | (21) | (120) | (6) |
| Interest paid | - | 12,297 | 7,090 | 33 |
| *Changes in assets and liabilities:* | | | | |
| Net increase (decrease) in mortgages and loans | 4,784 | 25,127 | (17,850) | 1,168 |
| Net increase (decrease) in assets and liabilities | 500 | (3,353) | 362 | 15 |
| **Net cash provided by (used for) operating activities** | 6,431 | 37,926 | (11,645) | 1,500 |

| Governmental Purpose Bonds 2001 A-D | Combined Total |
|---|---|
| 10,683 | 34,221 |
| 46,225 | 125,123 |
| - | - |
| (11,459) | (77,128) |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| 58,909 | 157,280 |
| (56,921) | (157,878) |
| - | - |
| 44 | 75 |
| - | - |
| 47,481 | 81,693 |
| - | - |
| (4,450) | (12,230) |
| - | - |
| - | - |
| (4,672) | (24,092) |
| - | - |
| - | - |
| - | - |
| (63,403) | (64,973) |
| - | - |
| (72,525) | (101,295) |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| (121,064) | (295,563) |
| 143,315 | 312,218 |
| 2,793 | 2,947 |
| 25,044 | 19,602 |
| - | - |
| - | - |
| - | - |
| 5,724 | 6,406 |
| - | - |
| (97) | (1,103) |
| 108 | 330 |
| - | - |
| 1,747 | 6,042 |
| (2,793) | (2,947) |
| 4,672 | 24,092 |
| 34,766 | 47,995 |
| 3,354 | 878 |
| 47,481 | 81,693 |

**ALASKA HOUSING FINANCE CORPORATION**
(A Component Unit of the State of Alaska)
**STATEMENT OF CASH FLOWS**
NON-HOUSING BONDS
For the Year Ended June 30, 2011
*(in thousands of dollars)*

| | State Capital Project Bonds 2002 A,B,C | State Capital Project Bonds 2006 A | State Capital Project Bonds 2007 A & B | State Capital Project Bonds 2011 A |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Interest income on mortgages and loans | 2,729 | 4,807 | 2,330 | 1,554 |
| Principal payments received on mortgages and loans | 12,655 | 20,625 | 11,365 | 4,122 |
| Purchases of mortgages and loans | - | - | - | - |
| Receipt (payment) for loan transfers between funds | (12,151) | (18,240) | - | - |
| Payments to employees and other payroll disbursements | - | - | - | - |
| Payments for goods and services | - | - | - | - |
| Cash received for externally funded programs | - | - | - | - |
| Cash received for Federal HAP subsidies | - | - | - | - |
| Payments for Federal HAP subsidies | - | - | - | - |
| Interfund Receipts | 14,593 | 24,697 | 14,169 | 4,001 |
| Interfund Payments | (15,386) | (25,437) | (13,699) | (5,676) |
| Grant payments to other agencies | - | - | - | - |
| Other operating cash receipts | - | - | 144 | - |
| Other operating cash payments | - | - | - | - |
| **Net cash provided by (used for) operating activities** | 2,440 | 6,452 | 14,309 | 4,001 |
| **Cash flows from noncapital financing activities:** | | | | |
| Proceeds from the issuance of bonds | - | - | - | 95,130 |
| Principal paid on bonds | (415) | (1,630) | (3,145) | - |
| Payment to defease bonds | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid | (758) | (4,275) | (4,219) | (1,439) |
| Proceeds from issuance of short term debt | - | - | - | - |
| Payment of short term debt | - | - | - | - |
| Contributions to the State of Alaska or other State agencies | (263) | (927) | - | - |
| Transfers (to) from other funds | 4,938 | - | - | (94,844) |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) noncapital financing activities** | 3,502 | (6,832) | (7,364) | (1,153) |
| **Cash flows from capital financing activities:** | | | | |
| Acquisition of capital assets | - | - | - | (11,961) |
| Proceeds from the disposal of capital assets | - | - | - | - |
| Proceeds from the issuance of capital notes | - | - | - | 14,215 |
| Principal paid on capital notes | (3,731) | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid on capital notes | (2,600) | - | - | - |
| Proceeds from the direct financing lease payments | - | - | 3,304 | - |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) capital financing activities** | (6,331) | - | 3,304 | 2,254 |
| **Cash flows from investing activities:** | | | | |
| Purchase of investments | (26,369) | (26,972) | (17,484) | (18,504) |
| Proceeds from maturity of investments | 26,579 | 27,327 | 7,364 | 13,399 |
| Interest received from investments | 179 | 25 | 15 | 3 |
| **Net cash provided by (used for) investing activities** | 389 | 380 | (10,105) | (5,102) |
| Net Increase (decrease) in cash | - | - | 144 | - |
| Cash at the beginning of year | - | - | 250 | - |
| **Cash at the end of period** | - | - | 394 | - |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities** | | | | |
| Operating income (loss) | (814) | (1,085) | (231) | (3,910) |
| *Adjustments:* | | | | |
| Depreciation expense | - | - | - | - |
| Provision for loan losses | 138 | 666 | (252) | 2,550 |
| Amortization of bond issuance costs | 76 | 32 | 50 | 17 |
| Net change in the fair value of investments | 42 | - | - | - |
| Transfers between funds for operating activity | 692 | 1,047 | 398 | 1,975 |
| Interest received from investments | (179) | (25) | (15) | (3) |
| Interest paid | 3,358 | 4,275 | 4,219 | 1,439 |
| *Changes in assets and liabilities:* | | | | |
| Net increase (decrease) in mortgages and loans | 504 | 2,385 | 11,365 | 4,122 |
| Net increase (decrease) in assets and liabilities | (1,377) | (843) | (1,225) | (2,189) |
| **Net cash provided by (used for) operating activities** | 2,440 | 6,452 | 14,309 | 4,001 |

*Schedule 23*

| General Housing Purpose Bonds 2005 A | General Housing Purpose Bonds 2005 B & C | Combined Total |
|---|---|---|
| 7,309 | 4,270 | 22,999 |
| 23,796 | 24,405 | 96,968 |
| - | - | - |
| (4,789) | (1,972) | (37,152) |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 33,073 | 28,692 | 119,225 |
| (31,112) | (28,682) | (119,992) |
| - | - | - |
| - | 74 | 218 |
| - | (61) | (61) |
| 28,277 | 26,726 | 82,205 |
| | | |
| - | - | 95,130 |
| (1,053) | (3,830) | (10,073) |
| - | - | - |
| - | - | - |
| (6,573) | (7,381) | (24,645) |
| - | - | - |
| - | - | - |
| (2,591) | - | (3,781) |
| - | - | (89,906) |
| - | - | - |
| (10,217) | (11,211) | (33,275) |
| | | |
| - | - | (11,961) |
| - | - | - |
| - | - | 14,215 |
| (67) | - | (3,798) |
| - | - | - |
| (420) | - | (3,020) |
| - | 3,467 | 6,771 |
| - | - | - |
| (487) | 3,467 | 2,207 |
| | | |
| (46,703) | (36,600) | (172,632) |
| 28,928 | 17,591 | 121,188 |
| 202 | 40 | 464 |
| (17,573) | (18,969) | (50,980) |
| | | |
| - | 13 | 157 |
| - | 2,719 | 2,969 |
| - | 2,732 | 3,126 |
| | | |
| (1,031) | (2,990) | (10,061) |
| | | |
| - | - | - |
| 449 | (241) | 3,310 |
| 33 | 75 | 283 |
| 14 | - | 56 |
| 1,225 | 828 | 6,165 |
| (202) | (40) | (464) |
| 6,993 | 7,381 | 27,665 |
| | | |
| 19,007 | 22,433 | 59,816 |
| 1,789 | (720) | (4,565) |
| 28,277 | 26,726 | 82,205 |

**ALASKA HOUSING FINANCE CORPORATION**
(A Component Unit of the State of Alaska)
**STATEMENT OF CASH FLOWS**
OTHER PROGRAM FUNDS
For the Year Ended June 30, 2011
*(in thousands of dollars)*

| | Energy Programs | Low Rent Program | Affordable Housing Programs | Section 8 Vouchers Program |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Interest income on mortgages and loans | - | - | - | - |
| Principal payments received on mortgages and loans | - | - | - | - |
| Purchases of mortgages and loans | - | - | - | - |
| Receipt (payment) for loan transfers between funds | - | - | - | - |
| Payments to employees and other payroll disbursements | (1,114) | (6,960) | (1,496) | (2,889) |
| Payments for goods and services | (3,723) | (6,920) | (1,491) | (288) |
| Cash received for externally funded programs | 114,677 | 12,560 | 2,244 | 4,222 |
| Cash received for Federal HAP subsidies | - | - | - | 31,874 |
| Payments for Federal HAP subsidies | - | - | - | (30,894) |
| Interfund Receipts | 115,579 | 14,755 | 2,921 | 3,157 |
| Interfund Payments | (115,345) | (17,240) | (2,846) | (4,516) |
| Grant payments to other agencies | (109,664) | - | - | - |
| Other operating cash receipts | 282 | 5,908 | 2,092 | 56 |
| Other operating cash payments | - | (6) | (2) | (56) |
| **Net cash provided by (used for) operating activities** | 692 | 2,097 | 1,422 | 666 |
| **Cash flows from noncapital financing activities:** | | | | |
| Proceeds from the issuance of bonds | - | - | - | - |
| Principal paid on bonds | - | - | - | - |
| Payment to defease bonds | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid | - | - | - | - |
| Proceeds from issuance of short term debt | - | - | - | - |
| Payment of short term debt | - | - | - | - |
| Contributions to the State of Alaska or other State agencies | - | - | - | - |
| Transfers (to) from other funds | - | - | - | - |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) noncapital financing activities** | - | - | - | - |
| **Cash flows from capital financing activities:** | | | | |
| Acquisition of capital assets | (1,083) | (1,137) | - | - |
| Proceeds from the disposal of capital assets | - | 9 | - | - |
| Proceeds from the issuance of capital notes | - | - | - | - |
| Principal paid on capital notes | - | - | - | - |
| Payment of bond issuance costs | - | - | - | - |
| Interest paid on capital notes | - | - | - | - |
| Proceeds from the direct financing lease payments | - | - | - | - |
| Other cash payments | - | - | - | - |
| **Net cash provided by (used for) capital financing activities** | (1,083) | (1,128) | - | - |
| **Cash flows from investing activities:** | | | | |
| Purchase of investments | - | - | - | - |
| Proceeds from maturity of investments | - | - | - | - |
| Interest received from investments | 5 | 5 | 3 | 10 |
| **Net cash provided by (used for) investing activities** | 5 | 5 | 3 | 10 |
| Net Increase (decrease) in cash | (386) | 974 | 1,425 | 676 |
| Cash at the beginning of year | 1,945 | 9,050 | 5,008 | 2,068 |
| **Cash at the end of period** | 1,559 | 10,024 | 6,433 | 2,744 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities** | | | | |
| Operating income (loss) | (210) | (5,371) | (410) | 1,041 |
| *Adjustments:* | | | | |
| Depreciation expense | 4 | 5,495 | 1,164 | 11 |
| Provision for loan losses | - | - | - | - |
| Amortization of bond issuance costs | - | - | - | - |
| Net change in the fair value of investments | - | - | - | - |
| Transfers between funds for operating activity | 950 | 2,711 | 263 | (83) |
| Interest received from investments | (5) | (5) | (3) | (10) |
| Interest paid | - | - | - | - |
| *Changes in assets and liabilities:* | | | | |
| Net increase (decrease) in mortgages and loans | - | - | - | - |
| Net increase (decrease) in assets and liabilities | (47) | (733) | 408 | (293) |
| **Net cash provided by (used for) operating activities** | 692 | 2,097 | 1,422 | 666 |

*Schedule 24*

| Other Programs | Combined Total |
|---|---|
| - | - |
| - | - |
| - | - |
| - | - |
| (1,016) | (13,475) |
| (269) | (12,691) |
| 25,284 | 158,987 |
| 7,070 | 38,944 |
| (7,046) | (37,940) |
| 37,749 | 174,161 |
| (25,476) | (165,423) |
| (36,509) | (146,173) |
| 213 | 8,551 |
| - | (64) |
| - | 4,877 |
| | |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| | |
| - | (2,220) |
| - | 9 |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | - |
| - | (2,211) |
| | |
| - | - |
| - | - |
| - | 23 |
| - | 23 |
| | |
| - | 2,689 |
| 3 | 18,074 |
| 3 | 20,763 |
| | |
| (26,921) | (31,871) |
| | |
| - | 6,674 |
| - | - |
| - | - |
| - | - |
| 10,535 | 14,376 |
| - | (23) |
| - | - |
| | |
| - | - |
| 16,386 | 15,721 |
| - | 4,877 |

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**APPENDIX B**

## FORM OF OPINION OF BOND COUNSEL

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Alaska (the "State") and a record of proceedings relating to the issuance of $28,945,000 aggregate principal amount of Mortgage Revenue Bonds, 2011 Series A (the "2011 Series A Bonds"), $56,890,000 aggregate principal amount of Mortgage Revenue Bonds, 2011 Series B-1 (the "2011 Series B-1 Bonds") and $14,470,000 aggregate principal amount of Mortgage Revenue Bonds, 2011 Series B-2 (the "2011 Series B-2 Bonds," together with the 2011 Series B-1 Bonds, the "2011 Series B Bonds"), concurrent with the conversion to a fixed interest rate of $128,750,000 aggregate principal amount of Mortgage Revenue Bonds, 2009 Series A-2 (the "2009 Series A-2 Bonds," together with the 2011 Series A Bonds and the 2011 Series B Bonds, the "2011 Bonds") of the Alaska Housing Finance Corporation (the "Corporation"), a public corporation and government instrumentality of the State created by and existing under Alaska Statutes 18.55 and 18.56, as amended (the "Act").

In such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

The 2011 Series A Bonds and the 2011 Series B Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted September 28, 2011 (the "Resolution"), and are issued pursuant to the Indenture by and between the Corporation and U.S. Bank National Association (previously known as First Trust National Association), as trustee (the "Trustee"), dated as of August 15, 1996 (the "General Indenture"), and the 2011 Series A and Series B Supplemental Indenture (the "2011 Series A/B Supplemental Indenture"), dated as of November 1, 2011, by and between the Corporation and the Trustee.

The conversion of the 2009 Series A-2 Bonds is authorized pursuant to the Act and the Resolution and pursuant to the General Indenture and the 2009 Series A Supplemental Indenture dated as of December 1, 2009, as supplemented by the 2009 Series A-2 Supplemental Indenture, dated as of November 1, 2011, each by and between the Corporation and the Trustee (collectively, the "2009 Series A-2 Supplemental Indenture," and, together with the General Indenture, the 2011 Series A/B Supplemental Indenture, the "Indenture").

The 2011 Bonds mature and are subject to redemption as provided in the Indenture.

Capitalized terms used herein and not defined herein are used as defined in the Indenture.

Applicable Federal tax law establishes certain requirements that must be met subsequent to the issuance of the 2009 Series A-2 Bonds and the 2011 Series B Bonds in order for interest on the 2009 Series A-2 Bonds and the 2011 Series B Bonds not to be included in gross income for Federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended and, as applicable, the Internal Revenue code of 1954, as amended (collectively, the "Code"). The Corporation has covenanted that it will comply with such requirements and that it will do all things necessary to ensure that interest on the 2009 Series A-2 Bonds and the 2011 Series B Bonds will be, and remain, not included in gross income for Federal income tax purposes. We have examined the program documentation adopted by the Corporation, which, in our opinion, establishes procedures and covenants under which, if followed, such requirements can be met. In rendering this opinion, we have assumed compliance with, and enforcement of, the provisions of such program procedures and covenants.

As to any facts material to our opinion, we have relied upon various statements and representations of officers and other representatives of the Corporation including without limitation those contained in the Indenture, the Corporation's Certificate as to matters affecting the tax-exempt status of the 2009 Series A-2 Bonds and the 2011 Series B Bonds, the Corporation's Regulations and Program Materials and the certified proceedings and other certifications of public officials and certifications by officers of the Corporation furnished to us (which are material to the opinion expressed below) without undertaking to verify the same by independent investigation.

Subject to the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the State of Alaska (the "State"), the Corporation has been duly created, organized, and validly exists as a public corporation and government instrumentality in good standing under the laws of the State, performing an essential public function with full corporate power and authority under the Act, among other things, to enter into, and to perform its obligations under the terms and conditions of, the Indenture.

2. The Indenture has been duly authorized, executed and delivered, is in full force and effect, and is valid and binding upon the Corporation and enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other laws affecting creditors' rights generally from time to time in effect).

3. The 2011 Series A Bonds and the 2011 Series B Bonds have been duly and validly authorized, sold and issued by the Corporation in accordance with the Indenture and Constitution and laws of the State, including the Act and, pursuant to the Act, are issued by a public corporation and government instrumentality of the State for an essential public and governmental purpose.

4. The conversion of the 2009 Series A-2 Bonds has been duly and validly authorized by the Corporation in accordance with the Indenture and Constitution and laws of the State, including the Act and, pursuant to the Act, are issued by a public corporation and government instrumentality of the State for an essential public and governmental purpose.

5. Subject to agreements heretofore or hereafter made with the holders of any notes or other bonds of the Corporation pledging any particular revenues or assets not pledged under the Indenture and the exclusion by the Act of a pledge of funds in the Housing Development Fund (as described in the Act), the 2011 Bonds are valid and legally binding general obligations of the Corporation for the payment of which, in accordance with their terms, the full faith and credit of the Corporation have been legally and validly pledged, are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture.

6. The 2011 Bonds are secured by a pledge in the manner and to the extent set forth in the Indenture. The Indenture creates a valid pledge of a lien on all funds established by the Indenture and moneys and securities therein which the Indenture purports to create, to the extent and on the terms provided therein.

7. Under existing laws, regulations, rulings and judicial decisions, interest on the 2009 Series A-2 Bonds and the 2011 Series B Bonds is excluded from gross income for Federal income tax purposes.

8. Interest on the 2009 Series A-2 Bonds from the date of their conversion to fixed interest rates is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, and such interest is not included in calculating the "adjusted current earnings" of corporations for purposes of calculating the alternative minimum tax imposed on corporations. We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2009 Series A-2 Bonds.

9. Interest on the 2011 Series B Bonds is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; however, such interest is included in calculating the "adjusted current earnings" of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2011 Series B Bonds.

10. Interest on the 2011 Series A Bonds is *included* in gross income for Federal income tax purposes. We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2011 Series A Bonds.

11. Under existing laws, interest on the 2011 Bonds is free from taxation of every kind by the State, and by municipalities and all other political subdivisions of the State (except that no opinion is expressed as to such exemption from State inheritance and estate taxes and taxes of transfers by or in anticipation of death).

12. Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken, upon the advice or with the opinion of counsel. Except to the extent of our concurrence therewith, we express no opinion as to any 2011 Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Sincerely,

BIRCH HORTON BITTNER & CHEROT

By: ______________________________________

**APPENDIX C**

## FORM OF OPINION OF SPECIAL TAX COUNSEL

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

$229,055,000
Alaska Housing Finance Corporation
Mortgage Revenue Bonds
$28,945,000 2011 Series A
$56,890,000 2011 Series B-1
$14,470,000 2011 Series B-2
$128,750,000 2009 Series A-2

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale of $28,945,000 aggregate principal amount of Alaska Housing Finance Corporation Mortgage Revenue Bonds, 2011 Series A (the "2011 Series A Bonds"), $56,890,000 aggregate principal amount of Alaska Housing Finance Corporation Mortgage Revenue Bonds, 2011 Series B-1 (the "2011 Series B-1 Bonds") and $14,470,000 aggregate principal amount of Alaska Housing Finance Corporation Mortgage Revenue Bonds, 2011 Series B-2 (the "2011 Series B-2 Bonds"; together with the 2011 Series B-1 Bonds, the "2011 Series B Bonds"), concurrent with the conversion to a step interest rate of $128,750,000 aggregate principal amount of Alaska Housing Finance Corporation Mortgage Revenue Bonds, 2009 Series A-2 (the "2009 Series A-2 Bonds"; together with the 2011 Series A Bonds and the 2011 Series B Bonds, the "Bonds"). The Bonds will be issued pursuant to the Indenture by and between the Alaska Housing Finance Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"), dated as of August 15, 1996 (the "General Indenture"), and the 2011 Series A and Series B Supplemental Indenture, dated as of November 1, 2011 (the "2011 Series Supplemental Indenture"), and the 2009 Series A Supplemental Indenture, dated as of December 1, 2009, as supplemented by the 2009 Series A-2 Supplemental Indenture, dated as of November 1, 2011 (collectively, the "2009 Series A-2 Supplemental Indenture"; together with the General Indenture and the 2011 Series Supplemental Indenture, the "Indenture"), in each case by and between the Corporation and the Trustee, authorizing the issuance of the 2011 Series A Bonds and the 2011 Series B Bonds and the conversion of the interest rate on the 2009 Series A-2 Bonds. Capitalized terms not otherwise defined herein are used as defined in the Indenture.

In connection with the issuance of the 2011 Series B Bonds and the conversion of the interest rate on the 2009 Series A-2 Bonds, we have examined the Indenture and the Tax Regulatory Agreement and No Arbitrage Certificates (the "Arbitrage Certificates") of the Corporation and such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that, assuming compliance by the Corporation with certain restrictions, conditions and requirements contained in the Indenture and the Arbitrage Certificates designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing laws, regulations, rulings and judicial decisions, interest on the 2011 Series B Bonds from their date of issuance, and interest on the 2009 Series A-2 Bonds from the date of their conversion to the step interest rate, is excluded from gross income for federal income tax purposes, and interest on the 2011 Series B Bonds from their date of issuance, and interest on the 2009 Series A-2 Bonds from the date of their conversion to the step interest rate, is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

Interest on the 2011 Series B Bonds, however, is included in the adjusted current earnings (i.e., alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

We are further of the opinion that interest on the 2009 Series A-2 Bonds from the date of their conversion to the step interest rate is not included in adjusted current earnings of corporations for purposes of the alternative minimum tax provisions imposed on such corporations by the Code.

We are further of the opinion that interest on the 2011 Series A Bonds is *included* in gross income for federal income tax purposes.

We express no opinion regarding any other consequences affecting the federal income tax liability of a recipient of interest on the Bonds.

The opinions expressed herein are rendered in reliance upon the opinion of Birch, Horton, Bittner & Cherot, Bond Counsel, as to the validity of the Bonds under the Constitution and laws of the State of Alaska

Very truly yours,

Kutak Rock LLP

**APPENDIX D**

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the Alaska Housing Finance Corporation (the "Corporation") in connection with the issuance of $28,945,000 aggregate principal amount of its Mortgage Revenue Bonds, 2011 Series A (the "2011 Series A Bonds"), $56,890,000 aggregate principal amount of its Mortgage Revenue Bonds, 2011 Series B-1 (the "2011 Series B-1 Bonds") and $14,470,000 aggregate principal amount of its Mortgage Revenue Bonds, 2011 Series B-2 (the "2011 Series B-2 Bonds"; together with the 2011 Series A Bonds and the 2011 Series B-1 Bonds, the "Subject Bonds"). The Subject Bonds are being issued pursuant to an Indenture by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), dated as of August 15, 1996 (the "Master Indenture") and a 2011 Series A and Series B Supplemental Indenture thereto, by and between the Corporation and the Trustee dated as of November 1, 2011 (together with the Master Indenture, the "Indenture'). The Corporation covenants and agrees with the registered owners and the beneficial owners of the Subject Bonds as follows:

SECTION 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Corporation for the sole and exclusive benefit of the registered owners and beneficial owners of the Subject Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate 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 Corporation pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"Disclosure Representative" shall mean the Executive Director/Chief Executive Officer of the Corporation or his or her designee.

"Fiscal Year" shall mean any twelve-month period ending on June 30 or on such other date as the Corporation may designate from time to time.

"Listed Events" shall mean any of the events listed in Section 5 of this Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Certificate.

"Official Statement" shall mean the Corporation's final Official Statement with respect to the Subject Bonds, dated November 2, 2011.

"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.

"SEC" shall mean the United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports. The Corporation shall provide to the MSRB an Annual Report for the preceding Fiscal Year (commencing with the Fiscal Year ending June 30, 2012) which is consistent with the requirements of Section 4 of this Certificate. The Annual Report shall be provided not later than 135 days after the Fiscal Year to which it relates. The Annual Report may be submitted as a single document or as separate documents constituting a package, and may cross-reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the Corporation may be submitted separately from the balance of the Annual Report, and later than the date required for the filing of the Annual Report if not available by that date. The Corporation shall, in a timely manner, file notice with the MSRB of any failure to file an Annual Report by the date specified in this Section 3. Such notice shall be in the form attached as Exhibit A to this Certificate, subject to Section 9 of this Certificate.

SECTION 4. Content of Annual Reports. The Corporation's Annual Report shall include (i) the Corporation's audited financial statements for the fiscal year ended on the previous June 30, prepared in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board, if available, or unaudited financial statements for such fiscal year, (ii) an update of the financial information and operating data contained in the Official Statement under the caption "The Corporation," (iii) financial information regarding the Mortgage Loans of the same type as provided in the Official Statement under the caption "Program Obligations — Mortgage Loans," (iv) the amount and type of the investments (and cash) in the accounts and subaccounts established in the Indenture, (v) the amount and type of investments in the Debt Service Reserve Account and the Special Reserve Fund, (vi) the outstanding principal balances of each maturity of Subject Bonds and the sinking fund installment amounts as applicable, (vii) the application of funds deposited in the Series 2009A-2/2011A/2011B Subaccounts of the Redemption Account, and (viii) financial information and operating data with respect to any other series of Bonds.

If not provided as part of the Annual Report by the date required (as described above under "Provision of Annual Reports"), the Corporation shall provide audited financial statements, when and if available, to the MSRB.

Any or all of the items listed above may be incorporated by specific reference to other documents (i) available to the public on the MSRB Internet Web Site or (ii) filed with the SEC.

SECTION 5. Reporting of Significant Events.

This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies on the Subject Bonds or any other bonds of the Corporation;

2. Non-payment related defaults under the Indenture and any Supplemental Indenture, if material;

3. Unscheduled draws on debt service reserve reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Subject Bonds, or other material events affecting the tax status of the Subject Bonds;

7. Modifications to rights of Subject Bondholders, if material;

8. Subject Bond calls, if material, and tender offers;

9. Defeasances of Subject Bonds;

10. Release, substitution or sale of property securing repayment of the Subject Bonds, if material;

11. Rating changes for the Subject Bonds;

12. Bankruptcy, insolvency, receivership or similar event[†] of the Corporation;

13. The consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, 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, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Upon the occurrence of a Listed Event, the Corporation shall file a notice of such occurrence with the MSRB and the Trustee in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event. Each notice of a Listed Event hereunder shall indicate that it is a notice of a Listed Event.

[†] Note to Paragraph 12: For the purposes of the event identified in Paragraph 12 above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Corporation in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Corporation, or if such jurisdiction has been assumed by leaving the existing governing 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 Corporation.

SECTION 6. Termination of Reporting Obligation. The Corporation's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Subject Bonds.

SECTION 7. Dissemination Agent. The Corporation may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Corporation under this Certificate, and revoke or modify any such designation.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Certificate, the Corporation may amend this Certificate if the following conditions are met:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof or a change in the identity, nature or status of the Corporation or the type of business conducted thereby;

(b) The Certificate, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Subject Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Subject Bonds as determined either by a party unaffiliated with the Corporation (such as Bond Counsel) or by approving vote of the registered owners of a majority in principal amount of the Subject Bonds pursuant to the terms of the Indenture.

The Corporation shall deliver a copy of any such amendment to the MSRB.

To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided pursuant to this Certificate, the first annual financial information provided thereafter will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 9. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 10. Default. *Except* as described in this paragraph, the provisions of this Certificate will create no rights in any other person or entity. The obligation of the Corporation to comply with the provisions of this Certificate are enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data, and notices, by any beneficial owner of Outstanding Subject Bonds, or by the Trustee on behalf of the registered owners of Outstanding Subject Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information, and operating data so provided, by the Trustee on behalf of the registered owners of Outstanding Subject Bonds; *provided, however,* that the Trustee shall not be required to take any enforcement action *except* at the direction of the registered owners of not less than 25% in aggregate principal amount of the Subject Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. A default under this Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Corporation or the Trustee to comply with this Certificate shall be an action to compel performance.

SECTION 11. Governing Law. This Certificate shall be construed and interpreted in accordance with the laws of the State of Alaska, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State, *provided* that, to the extent this Certificate addresses matters of Federal securities laws, including the Rule, this Certificate shall be construed in accordance with such Federal securities laws and official interpretations thereof.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Corporation, and the registered owners and beneficial owners from time to time of the Subject Bonds, and shall create no rights in any other person or entity.

Date: ___________, 2011

ALASKA HOUSING FINANCE CORPORATION

By: ______________________________

## Exhibit A

## NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Alaska Housing Finance Corporation (the "Corporation")

Name of Bond Issue: $28,945,000 Mortgage Revenue Bonds, 2011 Series A; and
$71,360,000 Mortgage Revenue Bonds, 2011 Series B;

Date of Issuance: November 22, 2011

NOTICE IS HEREBY GIVEN that the Corporation has not provided an Annual Report with respect to the above-named bond issue as required by the certificate of the Corporation.

Dated: ______________________________

ALASKA HOUSING FINANCE CORPORATION

By: __________________________________

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ALASKA HOUSING FINANCE CORPORATION • MORTGAGE REVENUE BONDS, 2011 SERIES A, 2011 SERIES B-1, 2011 SERIES B-2 AND 2009 SERIES A-2

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