

NEW ISSUES - 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.



\$136,765,000
ALASKA HOUSING FINANCE CORPORATION
State Capital Project Bonds II
\$86,765,000 2013 Series A
\$50,000,000 2013 Series B (Federally Taxable) (Floating Rate)

<i>Dated</i>	Date of delivery.
<i>Due</i>	As shown on inside cover page.
<i>Price</i>	As shown on inside cover page.
<i>Tax Exemption</i>	In the opinion of Bond Counsel and Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions, (i) interest on the 2013 Series A Bonds described above is excluded from gross income for Federal income tax purposes and (ii) interest on the 2013 Series A 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. Interest on the 2013 Series B Bonds described above is <i>included</i> in gross income for Federal income tax purposes. In the opinion of Bond Counsel, under existing laws, interest on the 2013 Series A Bonds and the 2013 Series B Bonds (collectively, the "Offered 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 Offered Bonds. See "Tax Matters."
<i>Redemption</i>	The Offered Bonds are subject to redemption at par prior to maturity under the circumstances described herein. See "The Offered Bonds — Redemption."
<i>Interest Rates;</i>	The 2013 Series A Bonds will bear interest at the rates set forth on the inside cover page. The 2013 Series B Bonds will initially bear interest during the Initial Floating Rate Term at the Adjusted LIBOR Rate as described under "The Offered Bonds — General" and "The Offered Bonds — Description of the 2013 Series B Bonds." THIS OFFICIAL STATEMENT IS INTENDED TO DESCRIBE 2013 SERIES B BONDS ONLY WHEN IN THE INITIAL FLOATING RATE TERM. The 2013 Series B Bonds in the Initial Floating Rate Term are subject to mandatory tender for purchase at par on June 1, 2018 (or if such day is not a Business Day, the next succeeding Business Day) and, at the option of the Corporation, on any Business Day selected by the Corporation on or after December 1, 2017, as described under "The Offered Bonds — Description of the 2013 Series B Bonds." The purchase price of 2013 Series B Bonds subject to mandatory tender is payable only from proceeds of any remarketing of 2013 Series B Bonds or any moneys furnished by the Corporation, at its option, for such purpose. If such sources are not available to purchase all 2013 Series B Bonds to be purchased on a mandatory tender date, such 2013 Series B Bonds will not be purchased on that date but will bear interest at a rate of 10% per annum until their purchase, redemption or maturity, all as further described under "The Offered Bonds — Description of the 2013 Series B Bonds."
<i>Tender</i>	
<i>Security</i>	The Bonds are not secured by the pledge of any mortgage loans. 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 are not secured by a pledge of any assets or any fund or account <i>except</i> the Accounts (other than the Rebate Account) established under the Indenture. 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.
<i>Interest Payment Dates</i>	2013 Series A Bonds: December 1, 2013, and thereafter on each June 1 and December 1. 2013 Series B Bonds: First Business Day of each month, commencing June 3, 2013, each Mandatory Tender Date and at maturity.
<i>Denominations</i>	\$5,000 or any integral multiple thereof.
<i>Closing Dates</i>	2013 Series A Bonds: May 30, 2013. 2013 Series B Bonds: May 2, 2013.
<i>Bond Counsel</i>	Law Office of Kenneth E. Vassar, LLC.
<i>Special Tax Counsel</i>	Kutak Rock LLP.
<i>Underwriters' Counsel</i>	Hawkins Delafield & Wood LLP.
<i>Trustee</i>	U.S. Bank National Association.
<i>Financial Advisor</i>	FirstSouthwest.
<i>Book-Entry System</i>	The Depository Trust Company. See "The Offered Bonds — Book Entry Only."

The Offered 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.

KeyBanc Capital Markets Inc.
BofA Merrill Lynch

Raymond James

J.P. Morgan[†]
Morgan Stanley

April 11, 2013

[†] Sole underwriter with respect to the 2013 Series B Bonds.

MATURITY SCHEDULE

\$86,765,000 2013 Series A Bonds

\$86,765,000 2013 Series A Serial Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
June 1, 2017	\$3,055,000	4.00%	0.85%	011839AA5
December 1, 2017	1,615,000	4.00	0.94	011839AB3
June 1, 2018	1,610,000	5.00	1.11	011839AC1
December 1, 2018	1,755,000	5.00	1.20	011839AD9
June 1, 2019	1,750,000	5.00	1.38	011839AE7
December 1, 2019	2,765,000	5.00	1.47	011839AF4
June 1, 2020	2,755,000	5.00	1.64	011839AG2
December 1, 2020	2,905,000	5.00	1.75	011839AH0
June 1, 2021	2,905,000	5.00	1.89	011839AJ6
December 1, 2021	3,070,000	5.00	1.97	011839AK3
June 1, 2022	3,070,000	5.00	2.09	011839AL1
December 1, 2022	2,360,000	5.00	2.20 ^{††}	011839AM9
June 1, 2023	2,350,000	5.00	2.28 ^{††}	011839AN7
December 1, 2023	4,710,000	5.00	2.32 ^{††}	011839AP2
December 1, 2024	4,980,000	5.00	2.45 ^{††}	011839AQ0
December 1, 2025	4,985,000	5.00	2.56 ^{††}	011839AR8
December 1, 2026	5,435,000	5.00	2.67 ^{††}	011839AS6
December 1, 2027	5,740,000	5.00	2.78 ^{††}	011839AT4
December 1, 2028	5,960,000	4.00	3.20 ^{††}	011839AU1
December 1, 2029	6,235,000	4.00	3.27 ^{††}	011839AV9
December 1, 2030	6,520,000	4.00	3.33 ^{††}	011839AW7
December 1, 2031	6,815,000	4.00	3.38 ^{††}	011839AX5
December 1, 2032	3,420,000	4.00	3.43 ^{††}	011839AY3

\$50,000,000 2013 Series B Bonds (Federally Taxable) (Floating Rate)

\$50,000,000 2013 Series B Bonds due June 1, 2043

Interest rate prior to mandatory tender: LIBOR plus 0.80%
(See “The Offered Bonds—Description of the 2013 Series B Bonds”)

Price: 100% CUSIP[†]: 011839BA4

[†] 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 Offered Bonds assume any responsibility for the accuracy of such data.

^{††} Priced at the stated yield to the June 1, 2022 optional redemption date at a redemption price of 100%.

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 Offered 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 Offered 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 Offered Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Offered 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
\$136,765,000 State Capital Project Bonds II
\$86,765,000 2013 Series A
\$50,000,000 2013 Series B (Federally Taxable) (Floating Rate)**

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 State Capital Project Bonds II, 2013 Series A (the “2013 Series A Bonds”) and 2013 Series B (the “2013 Series B Bonds”; together with the 2013 Series A Bonds, the “Offered Bonds”). The Offered 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 October 1, 2012 (the “General Indenture”), by and between the Corporation and U.S. Bank National Association, Seattle, Washington, as trustee (the “Trustee”), a 2013 Series A Supplemental Indenture, dated as of May 1, 2013 (the “2013 Series A Supplemental Indenture”), by and between the Corporation and the Trustee, and a 2013 Series B Supplemental Indenture, dated as of May 1, 2013 (the “2013 Series B Supplemental Indenture”; together with the 2013 Series A Supplemental Indenture, the “2013 Series A and B 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 2013 Series A and B Supplemental Indenture) are referred to collectively as the “Indenture.” Capitalized terms used and not otherwise defined herein have the respective meanings ascribed thereto in the Indenture. See “Summary of Certain Provisions of the Indenture — Certain Definitions.”

The 2013 Series A Bonds and the 2013 Series B Bonds are the third and fourth Series of Bonds, respectively, issued under the Indenture. The underwriters listed on the cover page will act as underwriters with respect to the 2013 Series A Bonds. J.P. Morgan Securities LLC (“J.P. Morgan”) will act as sole underwriter with respect to the 2013 Series B Bonds. The underwriters listed on the cover page are referred to herein collectively as the “Underwriters.”

The obligation of the Underwriters to purchase the 2013 Series A Bonds is *not* conditioned on the issuance and delivery of the 2013 Series B Bonds. The obligation of J.P. Morgan to purchase the 2013 Series B Bonds is *not* conditioned on the issuance and delivery of the 2013 Series A Bonds. See “Underwriting.”

Proceeds of the 2013 Series A Bonds are expected to be used to refund certain outstanding obligations of the Corporation (the “Refunded Obligations”) within 90 days of the date of issuance of the 2013 Series A Bonds and to reimburse the Corporation for certain

governmental purpose expenditures. Proceeds of the 2013 Series B Bonds are expected to be used to purchase mortgage loans on and after the date of issuance of the 2013 Series B Bonds. Upon the issuance of the Offered Bonds, the Corporation from its general unrestricted funds will pay costs of issuance. See “Application of Funds.”

NO MORTGAGE LOANS WILL BE PLEDGED TO THE PAYMENT OF THE OFFERED BONDS. THE PRIMARY SOURCE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE OFFERED BONDS WILL BE THE CORPORATION’S GENERAL UNRESTRICTED FUNDS.

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 “Summary of Certain Provisions of the Indenture — Issuance and Delivery of Bonds.” The Offered Bonds will be secured on a parity with any Additional Bonds.

The 2013 Series B Bonds will initially be issued in the Initial Floating Rate Term and will bear interest at the Adjusted LIBOR Rate. The 2013 Series B Bonds are subject to mandatory tender for purchase at par on June 1, 2018 (or if such day is not a Business Day (defined below), the next succeeding Business Day). The Corporation may elect to cause 2013 Series B Bonds to be subject to mandatory tender for purchase at par on any Business Day on or after December 1, 2017. The Corporation also may elect to cause 2013 Series B Bonds to bear interest at a New Floating Rate or in a Variable Rate Mode (each such term as defined below) or to convert to Bonds bearing interest at Fixed Interest Rates or a Permanent Indexed Rate (each such term as defined below) on any Business Day on or after December 1, 2017, and in each such case 2013 Series B Bonds will be subject to mandatory tender for purchase at par. See “The Offered Bonds — Description of the 2013 Series B Bonds — Mandatory Tender” and “—Change of Mode or Conversion to Fixed Interest Rates or a Permanent Indexed Rate.” **THIS OFFICIAL STATEMENT IS INTENDED TO DESCRIBE 2013 SERIES B BONDS ONLY WHEN IN THE INITIAL FLOATING RATE TERM.**

The Remarketing Agent with respect to 2013 Series B Bonds to be remarketed on any mandatory tender date initially will be J.P. Morgan. The Tender Agent with respect to 2013 Series B Bonds initially will be U.S. Bank National Association. If 2013 Series B Bonds are required to be tendered to the Tender Agent for purchase on any date and if the amount of funds (if any) made available to the Tender Agent from the Remarketing Agent, together with the amount of funds (if any) made available to the Tender Agent by the Corporation at the Corporation’s option, is less than the principal amount of the 2013 Series B Bonds required to be so tendered plus accrued interest, if any, such 2013 Series B Bonds will not be purchased on that date but will bear interest at a rate of 10% per annum until their purchase, redemption or maturity. **NEITHER THE CORPORATION NOR ANY THIRD PARTY IS OBLIGATED TO MAKE FUNDS AVAILABLE FOR THE PURCHASE OF 2013 SERIES B BONDS.**

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, as all bonds of the Corporation currently 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 — "Financial Statements of the Corporation."

In this Official Statement "Bondholder" or "Holder" means any Holder (as defined under the Indenture) of Offered Bonds, except that (i) where the context so requires, such terms shall mean Holders of Bonds under the Indenture and (ii) except under "Tax Matters" herein, so long as the Offered Bonds are immobilized in the custody of DTC, such terms shall mean, for purposes of giving notice to such Bondholders or Holders, DTC or its nominee. (See "Book Entry Only" herein.)

The summaries herein of the Offered 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

The Bonds are general obligations of the Corporation for which its full faith and credit are pledged for the payment of principal of and interest on the Bonds, *subject to* agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets and the exclusion by the Act of a pledge of funds in the Housing Development Fund. The Bonds are not secured by a pledge of any assets or any fund or account *except* the Accounts (other than the Rebate Account) established under the Indenture. See the definition of Investment Securities under "Summary of Certain Provisions of the Indenture — Certain Definitions." **NO MORTGAGE LOANS WILL BE PLEDGED TO THE PAYMENT OF THE BONDS. THE PRIMARY SOURCE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS WILL BE THE CORPORATION'S GENERAL UNRESTRICTED FUNDS.** The Corporation may issue additional Bonds under the Indenture without limit as to principal amount for any purpose of the Corporation. The Corporation will determine which provisions of the Indenture will be applicable to such additional Bonds, except that such issuance, in and of itself, shall not result in the ratings then in effect on the Bonds being reduced or withdrawn. The Corporation has issued, and expects to continue to issue, under other indentures other bonds that are general obligations of the Corporation. A significant portion of the assets of the Corporation is pledged to the payment of outstanding obligations of the Corporation. See Appendix A — "Financial Statements of the Corporation," "The Corporation — Activities of the Corporation" and "Summary of Certain Provisions of the Indenture — Issuance and Delivery of Bonds."

APPLICATION OF FUNDS

The proceeds of the Offered Bonds and certain amounts contributed by the Corporation are expected to be applied approximately as follows:

Refunding of Refunded Obligations	\$85,300,000
Reimbursement of Governmental Purpose Expenditures	14,698,440
Purchase of Mortgage Loans	50,000,000
Payment of Underwriting Fee	624,925
Payment of other Costs of Issuance	<u>250,000</u>
TOTAL	<u>\$150,873,365</u>

THE OFFERED BONDS

General

The Offered 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 Offered Bonds will be issuable in the denominations set forth on the cover page and will mature on the dates and in the amounts set forth on the inside cover page.

The 2013 Series A Bonds will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) from their dated date to maturity (or prior redemption) at the applicable rates set forth on the inside cover page.

The 2013 Series B Bonds in the Initial Floating Rate Term will bear interest from their dated date, prior to any mandatory tender of such Bonds, at the Adjusted LIBOR Rate. **THIS OFFICIAL STATEMENT IS INTENDED TO DESCRIBE 2013 SERIES B BONDS ONLY WHEN IN THE INITIAL FLOATING RATE TERM.** Interest accrued on the 2013 Series B Bonds during the Initial Floating Rate Term will be computed on the basis of a 360-day year for the number of days actually elapsed.

The Offered Bonds are being issued only as fully-registered bonds without coupons, in book-entry form only, registered in the name of Cede & Co., as registered owner and nominee for DTC, which will act as securities depository for the Offered Bonds. See “Book Entry Only” below.

Redemption

Optional Redemption

The 2013 Series A Bonds maturing on or after December 1, 2022 are subject to redemption at the option of the Corporation at 100% of the principal amount thereof, plus accrued interest, at any time on or after June 1, 2022, in whole or in part, from any source of funds.

The 2013 Series B Bonds in the Initial Floating Rate Term are subject to redemption at the option of the Corporation at 100% of the principal amount thereof, plus accrued interest, on any Business Day on or after December 1, 2017, in whole or in part, from any source of funds.

Selection of Bonds for Redemption

If the Offered Bonds are redeemed in part by optional redemption, the Offered Bonds to be redeemed will be selected as shall be directed by the Corporation. The Indenture provides that if less than all the Offered Bonds of a particular Series and maturity are to be redeemed, the particular Offered Bonds of such Series and maturity to be redeemed will be selected by the Trustee by lot, using such method of selection as it deems proper in its discretion.

Notice of Redemption

Notice of the redemption, identifying the Offered 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 (except as described below under “Description of the 2013 Series B Bonds—Consequences of a Failed Remarketing” with respect to the 2013 Series B Bonds) to the registered owner of each Offered Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Trustee. Pursuant to the Indenture, neither failure to receive any redemption notice nor any defect in such redemption notice shall affect the sufficiency of the proceedings for such redemption and failure by the Trustee to deliver such notice of redemption of the Bonds at the times required in the Indenture shall not impair the ability of the Trustee and the Corporation to effect such redemption.

Description of the 2013 Series B Bonds

Interest on the 2013 Series B Bonds

The 2013 Series B Bonds will bear interest during each Interest Period, prior to any mandatory tender of such Bonds, at the Adjusted LIBOR Rate. The Adjusted LIBOR Rate shall equal LIBOR on the Interest Rate Determination Date plus 0.80%; provided, however, that the Adjusted LIBOR Rate shall not exceed the Maximum Rate. Any 2013 Series B Bonds not purchased in connection with any mandatory tender thereof will bear interest at a rate of 10% per annum until their purchase, redemption or maturity.

The Adjusted LIBOR Rate will be determined by the Calculation Agent on each Interest Rate Determination Date.

Upon determining the Adjusted LIBOR Rate for a given Interest Period for the 2013 Series B Bonds, the Calculation Agent shall notify the Corporation of such rate by electronic-mail (“e-mail”) or by telephone or in such other manner as may be appropriate on the date of such determination, which notice, if provided by telephone, shall be promptly confirmed in writing. Such notice shall be provided by not later than 3:00 P.M., New York City time, on the Interest Rate Determination Date.

All percentages resulting from any calculation of the interest rate on the 2013 Series B Bonds will be rounded, if necessary, to the nearest one-hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g. 3.876545% (or .03876545) being rounded to 3.87655% (or .0387655)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upwards).

The determination by the Calculation Agent of the Adjusted LIBOR Rate to be borne by the 2013 Series B Bonds, absent manifest error, shall be conclusive and binding on the Holders of such 2013 Series B Bonds, the Corporation, the Remarketing Agent, the Tender Agent, and the Trustee. Failure by the Calculation Agent to give any notice required under the Indenture, or any defect in such notice, will not affect the interest rate borne by the 2013 Series B Bonds or the rights of the Holders thereof.

“Business Day” means any day other than (a) a Saturday, a Sunday, or (b) a day on which banking institutions in New York, NY or in the state of Washington are authorized or required by law or executive order to close, or (c) a day on which the New York Stock Exchange is closed.

“Calculation Agent” means U.S. Bank National Association, or after being notified in writing that the Reuters LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits) is not available as of 11:00 A.M. (London time) on the Interest Rate Determination Date, J.P. Morgan Securities LLC, or any successor appointed by the Corporation, acting as calculation agent.

“Interest Period” means the period commencing on the first Business Day of each month (or, with respect to the initial Interest Period only, commencing on the date of initial authentication and delivery of the 2013 Series B Bonds) and ending on the day before the first Business Day of the next succeeding month.

“Interest Rate Determination Date” means the second London Business Day immediately preceding the first day of the relevant Interest Period.

“LIBOR” means, with respect to any Interest Period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a one-month period commencing on the first day of that Interest Period that appears on Reuters LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 A.M. (London time) on the Interest Rate Determination Date for that Interest Period. If such rate does not appear on any page or service mentioned herein as of 11:00 A.M. (London time) on the Interest Rate Determination Date for that Interest Period, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for the Interest Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market, which may include affiliates of J.P. Morgan, selected by the Calculation Agent (after consultation with the Corporation), at approximately 11:00 A.M., London time, on the Interest Rate Determination

Date for that Interest Period. The Calculation Agent will request the principal London office of each such bank to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to that Interest Period will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to that Interest Period will be the arithmetic mean of the rates quoted by three major banks in New York City, which may include affiliates of J.P. Morgan, selected by the Calculation Agent (after consultation with the Corporation), at approximately 11:00 A.M., New York City time, on the first day of that Interest Period for loans in U.S. dollars to leading European banks for that Interest Period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the Calculation Agent to provide quotations are quoting as described above, LIBOR for that Interest Period will be the same as LIBOR as determined for the previous Interest Period.

“London Business Day” means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

“Maximum Rate” means, with respect to 2013 Series B Bonds bearing interest at the Adjusted LIBOR Rate, 12% per annum.

“Reuters LIBOR01 page” means the display designated as Reuters LIBOR01 on the Reuters 3000 Xtra (or such other page as may replace the Reuters LIBOR01 Page on that service, or such other service as may be nominated as the information vendor for the purpose of displaying rates or prices comparable to the London Offered rate for U.S. Dollar deposits).

Mandatory Tender

The 2013 Series B Bonds are subject to mandatory tender for purchase (with no right to retain) (i) on June 1, 2018 (or if such day is not a Business Day, the next succeeding Business Day), (ii) on any Business Day specified by the Corporation on or after December 1, 2017, and (iii) on any related Floating Rate Change Date, Variable Rate Change Date or Conversion Date (each such term as defined below) (each a “Mandatory Tender Date”), at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any. Upon any such event, the Trustee, not less than 15 days (except as described under “Consequences of a Failed Remarketing” below) prior to such tender, shall deliver a notice of mandatory tender to the Holders thereof and the Remarketing Agent stating the reason for the mandatory tender, the date of mandatory tender, and that all Holders of 2013 Series B Bonds subject to such mandatory tender will be deemed to have tendered their 2013 Series B Bonds upon such date.

Floating Rate Change, Change to Variable Rate or Conversion to Fixed Interest Rates or a Permanent Indexed Rate

The 2013 Series B Supplemental Indenture provides that the Corporation has the option (i) to change (a “Floating Rate Change”) all or a portion of the 2013 Series B Bonds to bear interest at rates calculated by the Calculation Agent according to an index specified by the Corporation and to be subject to mandatory tender after a term specified by the Corporation (a “New Floating Rate”), (ii) to change (a “Change to Variable Rate”) all or a portion of the 2013 Series A Bonds to bear interest at variable rates determined daily, weekly, monthly, quarterly or

semiannually by the Remarketing Agent (each a “Variable Rate Mode”), or (iii) to convert (a “Conversion”) all or a portion of the 2013 Series B Bonds to long-term interest rates fixed to maturity (“Fixed Interest Rates”) or an index-based variable rate to be borne to maturity (a “Permanent Indexed Rate”), in each case on any Business Day on or after December 1, 2017. Prior and as a condition to any Floating Rate Change, Change to Variable Rate or Conversion, the Trustee must deliver a notice to the Holders thereof and the Remarketing Agent specifying the date of the Floating Rate Change (a “Floating Rate Change Date”), the Change to Variable Rate (a “Variable Rate Change Date”) or the Conversion (a “Conversion Date”), as the case may be, which date in each case shall be not less than 15 days (except as described under “Consequences of a Failed Remarketing” below) following the receipt of such notice.

Remarketing and Source of Funds for Purchase of 2013 Series B Bonds

On each date on which 2013 Series B Bonds are required to be tendered for purchase, the Remarketing Agent shall use its best efforts to sell such 2013 Series B Bonds at a price equal to 100% of the principal amount thereof plus accrued interest, if any. On or before 3:00 P.M., New York City time, on each Mandatory Tender Date, if moneys sufficient to pay the purchase price of all 2013 Series B Bonds subject to mandatory tender on such date shall be held by the Tender Agent, the Tender Agent shall purchase all such 2013 Series B Bonds from the Owners at 100% of the principal amount thereof plus accrued interest, if any. Funds for the payment of such purchase price shall be derived solely from immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of 2013 Series B Bonds.

Notwithstanding the foregoing, the Corporation shall have the option, but shall not be obligated, to transfer immediately available funds to the Tender Agent for the payment of the purchase price of any 2013 Series B Bond required to be tendered on a Mandatory Tender Date. None of the Corporation, the Trustee, the Tender Agent or the Remarketing Agent shall have any liability or obligation to pay or, except from the sources identified in the preceding paragraph, make available such purchase price. The failure to pay any such purchase price for 2013 Series B Bonds that are required to be tendered for purchase shall not constitute an Event of Default under the Indenture and in the case of such failure, none of such 2013 Series B Bonds shall be purchased, and such 2013 Series B Bonds shall remain in the Initial Floating Rate Term and bear interest at a rate of 10% per annum until their purchase, redemption or maturity. See “Consequences of a Failed Remarketing.”

Untendered Bonds

This paragraph is applicable only if the book-entry system has been discontinued and replacement bonds have been issued or if DTC has exercised its option to surrender and exchange its 2013 Series B Bond certificates. Any 2013 Series B Bond not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date (“Untendered Bonds”), for which there have been irrevocably deposited in trust with the Trustee the purchase price equal to the principal amount of such 2013 Series B Bonds plus accrued interest, if any, shall be deemed to have been tendered and purchased on such Mandatory Tender Date. Holders of Untendered Bonds shall not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of such Untendered Bonds, plus accrued interest, if any, to the day preceding the Mandatory Tender Date, and said Holders

shall no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price. 2013 Series B Bond certificates will be issued in place of Untendered Bonds pursuant to the Indenture and, after the issuance of the replacement 2013 Series B Bond certificates, such Untendered Bonds will be deemed purchased, canceled, and no longer Outstanding under the Indenture.

Consequences of a Failed Remarketing

In the event that remarketing proceeds are insufficient to pay the purchase price of all 2013 Series B Bonds subject to mandatory tender on a Mandatory Tender Date, (1) no purchase shall be consummated on such Mandatory Tender Date and the Tender Agent shall (a) return all tendered 2013 Series B Bonds to the registered owners thereof and (b) return all remarketing proceeds to the Remarketing Agent for return to the persons providing such moneys; and (2) the 2013 Series B Bonds will bear interest at a rate of 10% per annum during the period of time from and including such Mandatory Tender Date to (but not including) the date that all such 2013 Series B Bonds are successfully remarketed (the “Delayed Remarketing Period”) or until such 2013 Series B Bonds are redeemed or paid at maturity.

On each Business Day following the failed remarketing on the applicable Mandatory Tender Date, the Remarketing Agent shall continue to use its best efforts to remarket the 2013 Series B Bonds into the New Floating Rate, Variable Rate Mode, Fixed Interest Rates or Permanent Indexed Rate designated by the Corporation (or such New Floating Rate, Variable Rate Mode, Fixed Interest Rates or Permanent Indexed Rate as the Corporation shall thereafter designate to the Remarketing Agent and the prospective owners thereof). Once the Remarketing Agent has advised the Trustee that it has a good faith belief that it is able to remarket all of the 2013 Series B Bonds on a particular date, the Trustee, at the direction of the Corporation, will give notice by mail to the registered owners of such 2013 Series B Bonds not later than five Business Days prior to such date, which notice will state (1) that such 2013 Series B Bonds will be subject to mandatory tender for purchase on such date; (2) the procedures for such mandatory tender; (3) the purchase price of such 2013 Series B Bonds on such date (expressed as a percentage of the principal amount thereof); and (4) the consequences of a failed remarketing. Any such date will be a Mandatory Tender Date described in clause (iii) under “Mandatory Tender” above.

During the Delayed Remarketing Period, the Trustee may, upon direction of the Corporation, apply available amounts to the redemption of the 2013 Series B Bonds as a whole or in part on any Business Day during the Delayed Remarketing Period, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium. Notice of redemption shall be provided at least five Business Days prior to the date fixed for redemption.

During the Delayed Remarketing Period, interest on such 2013 Series B Bonds shall be paid to the registered owners thereof (i) on the first Business Day of each month occurring during the Delayed Remarketing Period and (ii) on any Mandatory Tender Date, including the date that all such 2013 Series B Bonds are successfully remarketed.

Book Entry Only

General

The Offered Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Offered 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 Offered Bonds are immobilized in the custody of DTC, references to holders or owners of Offered 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 neither the Corporation nor the Underwriters take responsibility for the accuracy or completeness thereof.

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

To facilitate subsequent transfers, all Offered 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 Offered 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 Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered 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 Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered 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 Offered 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 Offered 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 Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and purchase price of and interest on the Offered 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 OFFERED 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, PURCHASE PRICE OR REDEMPTION PRICE OF OR INTEREST ON THE OFFERED BONDS, ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS 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 OR PARTIAL TENDER AND PURCHASE OF THE OFFERED BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDHOLDER.

DTC may discontinue providing its services as depository with respect to the Offered 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, Offered Bond certificates are required to be printed and delivered as described in the Indenture.

The requirement for physical delivery of 2013 Series B Bonds in connection with a mandatory tender will be deemed satisfied when the ownership rights in the 2013 Series B Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2013 Series B Bonds to the Tender Agent's DTC account.

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

If bond certificates are issued, the principal due upon maturity or redemption of any of the Offered Bonds will be payable at the office of the Trustee, as paying agent, upon presentation and surrender of such Offered 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 Offered Bond of a Series will be made by the Trustee to the registered owner of such Offered Bond by check mailed by first class mail (or, upon request of a registered owner of \$1,000,000 or more aggregate principal amount of Offered Bonds of such Series, by wire transfer) on the interest payment date to such registered owner as of (i) in the case of the 2013 Series A Bonds, the 20th day of the preceding month and (ii) in the case of the 2013 Series B Bonds, the immediately

preceding Business Day, in each case at the address appearing on the registration books relating to the Offered Bonds.

If bond certificates are issued, the Offered 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 an interest payment date or the date of mailing of any notice of redemption, nor of any Offered Bond selected for redemption. If any Offered Bond is mutilated, lost, stolen or destroyed, the Trustee may execute and deliver a new Offered Bond or Offered Bonds of the same series, maturity, interest rate and principal amount as the Offered Bond or Offered Bonds so mutilated, lost, stolen or destroyed, provided that such Offered 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.

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; the Corporation's \$161,760,000 Home Mortgage Revenue Bonds, 2009 Series A and B; the Corporation's \$50,000,000 General Mortgage Revenue Bonds II, 2012 Series B; and the Corporation's \$50,000,000 State Capital Project Bonds II, 2012 Series 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. 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 the subheadings "Activities of the Corporation," "Financial Results of Operations" and "Legislative Activity/Transfers to the State — Aggregate Transfers to the State of Alaska" below was obtained from, respectively, the February 2013 Mortgage and Bond Disclosure Report of the Corporation, the audited financial statements of the Corporation as of and for the year ended June 30, 2012, and the unaudited financial statements of the Corporation as of and for the six months ended December 31, 2012. 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:

<u>Name</u>	<u>Location</u>
Mr. Franklin C. Roppel Chair	Retired Wrangell, Alaska
Mr. N. Claiborne Porter Vice-Chair	President NCP Design/Build Ltd. Anchorage, Alaska
Mr. Brent Levalley	Senior Vice President Denali State Bank Fairbanks, Alaska
Mr. Marty Shuravloff	Executive Director Kodiak Island Housing Authority Kodiak, Alaska
Mr. Bryan Butcher Commissioner Alaska Department of Revenue	Mr. Bruce Tangeman (designee) Deputy Commissioner Alaska Department of Revenue Juneau, Alaska
Mr. William Streur Commissioner Alaska Department of Health & Social Services	Ms. Tara Horton (designee) Assistant Commissioner Alaska Department of Health & Social Services Juneau, Alaska
Ms. Susan K. Bell Commissioner Alaska Department of Commerce, Community & Economic Development	Ms. Roberta Graham (designee) Deputy Commissioner Alaska Department of Commerce, Community & Economic Development 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: Accounting, Administrative Services, Audit, Budget, Construction, Finance, Governmental Relations and Public Affairs, Human Resources, Information Services, Mortgage, Planning, Public Housing, Research and Rural Development, Risk Management and Sourcing and Contract Compliance. 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.

Michael L. Strand - Acting CFO/Senior Finance Officer. Mr. Strand joined the Corporation in 2001, and previously served as Senior Finance Officer, Finance Officer and Financial Analyst II. Prior to joining the Corporation, he served as a budget analyst for Anchorage Municipal Light and Power and as a financial analyst for VECO Alaska. Mr. Strand is a graduate of the University of Alaska, Anchorage, with Bachelor of Business Administration degrees in finance and economics.

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

Gerard Deta - Finance Officer. Mr. Deta has been with the Corporation since 2001, and previously served as Financial Analyst II. Prior to joining the Corporation, he served as an auditor with Deloitte & Touche LLP. Mr. Deta is a Certified Treasury Professional and a graduate of Southern Utah University with Bachelor of Science degrees in finance and accounting.

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 which 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 February 28, 2013:

<u>Bond Series</u>	<u>Amount Outstanding</u>	<u>Liquidity Provider (or Self-Liquidity)</u>	<u>Facility Expiration Date</u>
Governmental Purpose Bonds, 1997 Series A	\$ 14,600,000	Self-Liquidity	NA [†]
Governmental Purpose Bonds, 2001 Series A and B	126,195,000	Self-Liquidity	NA [†]
Home Mortgage Revenue Bonds, 2002 Series A	142,025,000	JPMorgan Chase Bank, N.A.	August 11, 2014
State Capital Project Bonds, 2002 Series C	55,610,000	Self-Liquidity	NA [†]
Home Mortgage Revenue Bonds, 2007 Series A, B and D	239,370,000	Landesbank Baden-Wuerttemberg	May 30, 2017
Home Mortgage Revenue Bonds, 2009 Series A and B	161,760,000	Self-Liquidity	NA [†]
Home Mortgage Revenue Bonds, 2009 Series D	80,870,000	Bank of America, N.A.	August 24, 2014
General Mortgage Revenue Bonds II, 2012 Series B	50,000,000	Self-Liquidity	NA [†]
State Capital Project Bonds II, 2012 Series B	<u>50,000,000</u>	Self-Liquidity	NA [†]
	<u>\$920,430,000</u>		

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

Home Mortgage Revenue Bonds. The Corporation funds its Rural and Taxable Programs with the proceeds of Home Mortgage Revenue Bonds. Mortgage loans and/or mortgage-backed securities are pledged as collateral for the Home Mortgage Revenue Bonds. 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 II. The Corporation issues General Mortgage Revenue Bonds II to finance the purchase of mortgage loans or to refund other obligations of the Corporation. Mortgage loans and other assets are pledged as collateral for the General Mortgage Revenue Bonds II. General Mortgage Revenue Bonds II are 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 and State Capital Project Bonds II. The Corporation issues State Capital Project Bonds and State Capital Project Bonds II to finance designated capital projects of State agencies and the Corporation and to refund other obligations of the Corporation. State Capital Project Bonds and State Capital Project Bonds II 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 and State Capital Project Bonds II are general obligations of the Corporation.

The following tables set forth certain information as of February 28, 2013 regarding bonds issued under the above-described financing programs:

Bonds Issued and Remaining Outstanding by Program

<u>Bond Program</u>	Issued through <u>2/28/2013</u>	Issued During Eight Months Ended <u>2/28/2013</u>	Outstanding as of <u>2/28/2013</u>
Home Mortgage Revenue Bonds	\$1,262,675,000	\$ 0	\$672,790,000
Mortgage Revenue Bonds	1,449,010,353 [†]	0	346,515,000
State Capital Project Bonds	680,190,000	0	315,855,000
General Housing Purpose Bonds	811,635,000	0	270,500,000
General Mortgage Revenue Bonds II	195,890,000	195,890,000	195,655,000
Housing Development Bonds	570,290,000	0	157,645,000
State Capital Project Bonds II	149,360,000	149,360,000	147,020,000
Governmental Purpose Bonds	973,170,000	0	140,795,000
Veterans Collateralized Bonds	1,900,385,000	0	127,320,000
Other Bonds	<u>9,555,248,769</u>	<u>0</u>	<u>0</u>
Total Bonds	<u>\$17,547,854,122</u>	<u>\$345,250,000</u>	<u>\$2,374,095,000</u>

[†] Includes release of proceeds of \$193,100,000 Mortgage Revenue Bonds originally issued in 2009.

Summary of Bonds Issued and Remaining Outstanding

	Issued through <u>2/28/2013</u>	Issued during Eight Months Ended <u>2/28/2013</u>	Outstanding as of <u>2/28/2013</u>
Tax-Exempt Bonds	\$12,912,594,122 [†]	\$245,250,000	\$2,150,980,000
Taxable Bonds	<u>4,635,260,000</u>	<u>100,000,000</u>	<u>223,115,000</u>
Total Bonds	<u>\$17,547,854,122</u>	<u>\$345,250,000</u>	<u>\$2,374,095,000</u>
Self-Liquidity Bonds [‡]	\$825,500,000	\$100,000,000	\$458,165,000

[†] Includes release of proceeds of \$193,100,000 Mortgage Revenue Bonds originally issued in 2009.

[‡] 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 February 28, 2013 regarding the mortgage loans financed under the above-described lending programs:

Mortgage Purchases by Program

<u>Loan Program</u>	<u>Original Principal Balance of Mortgage Loans Purchased During FY 2011</u>	<u>Original Principal Balance of Mortgage Loans Purchased During FY 2012</u>	<u>Original Principal Balance of Mortgage Loans Purchased During the Eight Months Ended 2/28/2013</u>
Tax-Exempt First-Time Homebuyer	\$102,721,624	\$115,417,956	\$72,313,788
Taxable Other	80,023,975	89,861,556	62,123,774
Rural	89,106,667	107,050,965	63,660,719
Taxable First-Time Homebuyer	49,934,157	40,823,326	33,023,225
Multi-Family	16,908,700	37,126,600	29,572,900
Veterans Mortgage Program	<u>77,717,901</u>	<u>25,945,204</u>	<u>8,291,085</u>
Total Mortgage Purchases	<u>\$416,413,024</u>	<u>\$416,225,607</u>	<u>\$268,985,491</u>
Streamline Refinance [†]	\$ 46,293,766	\$ 82,126,378	\$51,808,172

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

Mortgage Portfolio Summary

	<u>As of 6/30/2011</u>	<u>As of 6/30/2012</u>	<u>As of 2/28/2013</u>
Mortgages and Participation Loans	\$2,761,295,562	\$2,521,367,292	\$2,350,032,552
Real Estate Owned and Insurance Receivables	<u>5,469,821</u>	<u>5,730,360</u>	<u>4,011,350</u>
Total Mortgage Portfolio	<u>\$2,766,765,383</u>	<u>\$2,527,097,652</u>	<u>\$2,354,043,902</u>

Mortgage Insurance Summary[†]

<u>Type</u>	<u>Outstanding Principal Balance as of 02/28/2013</u>	<u>Percentage of Total Mortgage Loans by Outstanding Principal Balance</u>
Uninsured ^{††}	\$1,053,202,681	44.8%
Federally Insured – FHA	501,559,101	21.3
Federally Insured – VA	310,278,688	13.2
Private Mortgage Insurance ^{†††}	180,170,568	7.7
Federally Insured – RD	175,863,324	7.5
Federally Insured – HUD 184	<u>128,958,190</u>	<u>5.5</u>
TOTAL	<u>\$2,350,032,552</u>	<u>100.0%</u>

[†] 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.

<u>PMI Provider</u>	<u>Outstanding Principal Balance as of 2/28/2013</u>	<u>Percentage of Total Mortgage Loans by Outstanding Principal Balance</u>
Radian Guaranty	\$ 62,244,563	2.6%
CMG Mortgage Insurance	41,128,799	1.8
Mortgage Guaranty	33,619,057	1.4
Genworth GE	22,402,776	1.0
PMI Mortgage Insurance	18,262,404	0.8
Commonwealth	1,569,392	0.1
United Guaranty	834,412	0.0
Republic Mortgage Insurance	<u>109,165</u>	<u>0.0</u>
TOTAL	<u>\$180,170,568</u>	<u>7.7%</u>

Mortgage Delinquency and Foreclosure Summary

	As of <u>6/30/2011</u>	As of <u>6/30/2012</u>	As of <u>2/28/2013</u>
Delinquent 30 Days	2.51%	2.88%	2.66%
Delinquent 60 Days	1.15	1.17	1.04
Delinquent 90 Days or More	<u>1.48</u>	<u>1.64</u>	<u>1.82</u>
Total Mortgage Delinquency	<u>5.14%</u>	<u>5.69%</u>	<u>5.52%</u>

	Twelve Months Ended <u>6/30/2011</u>	Twelve Months Ended <u>6/30/2012</u>	Eight Months Ended <u>2/28/2013</u>
Total Foreclosures	\$16,824,228	\$14,069,276	\$6,868,774

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 23 to the Corporation's audited annual financial statements dated June 30, 2012, 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				
	2012	2011	2010	2009	2008
Total Assets and Deferred Outflows	\$4,288,648	\$4,542,040	\$4,796,817	\$4,731,425	\$4,946,119
Total Liabilities and Deferred Inflows	2,734,505	2,948,221	3,172,826	3,059,314	3,279,948
Total Fund Equity	1,554,143	1,593,819	1,623,991	1,672,111 [†]	1,666,171
Total Operating Revenues	351,178	385,695	397,258	355,357	341,847
Total Operating Expenses	381,647	398,606	407,032	333,997	306,534
Operating Income (Loss)	(30,469)	(12,911)	(9,774)	21,360	35,313
Contribution to State or State agency	(9,207)	(20,349)	(36,772)	(15,420)	(53,614)
Special Item	0	3,088	0	0	0
Change in Net Assets	\$ (39,676)	\$ (30,172)	\$ (46,546)	\$ 5,940	\$ (18,301)

[†] 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.

<u>Fiscal Year</u>	<u>Percentage of Adjusted Change in Net Assets</u>
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 December 31, 2012, 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.

<u>Transfer Type</u>	<u>Pre-FY13</u>	<u>FY13</u>	<u>Total</u>
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	327,291,000	2,233,000	329,524,000
Various Bonds’ Proceeds			
Disbursed	<u>313,224,000</u>	<u>163,000</u>	<u>313,387,000</u>
Total Transfers	<u>\$1,971,222,000</u>	<u>\$2,396,000</u>	<u>\$1,973,618,000</u>

Corporation Budget Legislation

The Corporation's fiscal year 2013 operating budget was approved by the Legislature at approximately the amount submitted during the fiscal year 2012 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 2013 operating budget estimated that \$27,315,600 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

Certain covenants and security provisions of the Indenture are summarized below. Reference should be made to the Indenture for a full and complete statement of their provisions.

Certain Definitions (Section 101)

"Bond Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Corporation.

"Code" means the Internal Revenue Code of 1986, as amended, and United States Treasury regulations promulgated thereunder or applicable thereto.

"Credit Enhancement" means any source of payment of principal or interest with respect to Bonds (including principal and interest payable upon a tendering of the Bonds in accordance with their terms) other than assets and revenues under the Indenture and includes, by example and not limitation, letters of credit, bond insurance, liquidity facilities, surety bonds, and stand-by bond purchase agreements.

"Credit Enhancer" means any entity or entities which provide Credit Enhancement.

"DTC" means The Depository Trust Company, New York, New York.

"Government Obligations" means:

(1) direct obligations of, or obligations 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; or

(2) instruments evidencing direct ownership interests in direct obligations, or specified portions (such as principal or interest) of such obligations, of the United States of America which obligations are held by a custodian in safe keeping on behalf of the holders of such receipts.

“Investment Securities” means any investments selected by the Corporation, if and to the extent the same are at the time legal investments by the Corporation of the funds to be invested therein and in compliance with the Corporation’s then current investment policies.

“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 Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

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

(3) any Bond that has been paid or is deemed to have been paid as described under “Summary of Certain Provisions of the Indenture — Defeasance.”

“Rating Agency” means any national securities rating service requested by the Corporation to rate the Bonds and which, at the time of consideration, provides a published rating for the Bonds.

“Rating Quality” means, with respect to any Series of Bonds, having terms, conditions and/or a credit quality such that the item stated to be of “Rating Quality” will not, as confirmed in writing received by the Trustee from each of the Rating Agencies, impair the ability of the Corporation to obtain the ratings initially from the Rating Agencies anticipated to be received with respect to such Bonds as described in the Supplemental Indenture authorizing such Bonds and, if the Bonds have been rated, will not cause any such Rating Agency to lower or withdraw the rating it has assigned to the Bonds.

“Rebate Amount” means that amount with respect to the Bonds determined by the Corporation to be required to be rebated to the United States government pursuant to the Code.

“Redemption Price” means, with respect to any Bonds that have been designated for redemption, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

“Revenues” means, in addition to amounts so identified in the Indenture, such amounts derived from such sources as the Corporation may identify in a Supplemental Indenture authorizing the issuance of a Series of Bonds.

Pledge Effected by Indenture; Indenture to Constitute a Contract (Section 201)

All amounts in the Program Account and the Revenue Account are pledged under the Indenture to secure the payment of the principal of and interest on the Bonds, subject only to the provisions of the Indenture permitting the application thereof for other purposes; provided, however, that the Corporation may direct the Trustee to establish subaccounts for any such accounts to secure all or any portion of a Series or Subseries of Bonds, and, upon the creation of such subaccount, any amounts deposited or held therein may be pledged to secure the payment of principal of and interest on only those Bonds for which such subaccount was created.

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 pledges and assignments made 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 (and, in particular, except that one or more Series of Bonds may be issued with Credit Enhancement which, as permitted by the Indenture, may be pledged to such Series of Bonds and, at the Corporation's sole discretion, may not benefit any other Series of Bonds).

Issuance and Delivery of Bonds (Section 203)

The Corporation may from time to time issue additional Series of Bonds under the Indenture with such provisions of the Indenture applicable as it determines in an unlimited aggregate principal amount to provide additional funds for any purpose of the Corporation.

Before the Trustee may authenticate an additional Series of Bonds, there must be delivered to the Trustee, among other things, evidence from each Rating Agency that the issuance of such additional Series of Bonds will not, in and of itself, result in the ratings then in effect on any Bonds then Outstanding being reduced or withdrawn.

Investment of Certain Funds (Section 403)

The Corporation shall direct the Trustee to invest amounts in the Accounts in Investment Securities; in the absence of direction from the Corporation, the Trustee shall, to the maximum extent practicable, keep amounts in the Accounts invested in money market funds, 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. Notwithstanding the foregoing, the Corporation shall not direct the investment of, and the Trustee shall hold uninvested, moneys held for the payment of Bonds that may be tendered for purchase, and that have been tendered for purchase, pursuant to the terms of the supplemental indenture authorizing the issuance of such Bonds.

Investment Securities purchased as an investment of moneys in any Account held by the Trustee under the provisions of the Indenture shall be deemed at all times to be a part of such

Account, but the income or interest earned (other than accrued interest at the time of purchase of the Investment Securities) and gains realized in excess of losses suffered by an Account due to the investment thereof shall be deposited in the Revenue Account or shall be credited as Revenues to the Revenue Account from time to time and reinvested in accordance with the provisions described in the immediately preceding paragraph.

The Trustee may commingle any of the Accounts established pursuant to the Indenture or any supplemental indenture into a separate fund or funds for investment purposes only; provided, however, that all Accounts held by the Trustee under the Indenture shall be accounted for separately notwithstanding such commingling. In addition, for investment purposes only, the Trustee may, at its sole discretion, commingle any of the Accounts established under any other indenture, resolution, or agreement of the Corporation with the Trustee, to the extent permitted therein.

Valuation and Sale of Investments (Section 404)

Except as provided in the Indenture, in computing the amount in any Account, obligations purchased as an investment of moneys therein shall be valued at amortized value. Amortized value means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each Interest Payment Date after such purchase from the purchase price in the case of an obligation purchased at a premium or adding the amount thus calculated for each Interest Payment Date after such purchase to the purchase price in the case of an obligation purchased at a discount.

Establishment of Accounts (Section 501)

The Indenture establishes and creates the following Accounts and Subaccounts:

- (1) Program Account and, within the Program Account, Program Subaccounts;
- (2) Revenue Account; and
- (3) Rebate Account.

The Corporation may establish with the Trustee additional accounts and subaccounts in a supplemental indenture for the purpose of creating additional security for a Series of Bonds and may provide in such supplemental indenture that such account is only for the security of such Series of Bonds and not to secure any other bonds of the Corporation, including any other Bonds issued under the Indenture.

Program Account (Section 502)

The Program Account consists of, and there may be created and established, one or more Program Subaccounts for each Series of Bonds as required by the supplemental indenture authorizing such Series.

Revenue Account (Section 503)

The Corporation shall pay or cause to be paid to the Trustee, at least two Business Days prior to the due date thereof, assets and revenues of the Corporation as may be available (subject to agreements made with holders of other obligations of the Corporation pledging particular assets and revenues and the exclusion by the Act of a pledge of funds in the Housing Development Fund) as needed to make all payments of principal, interest and premium with respect to the Bonds and any other payments required by the Indenture or by any supplemental indenture authorizing the issuance of a Series of Bonds. The Trustee shall deposit such amounts in the Revenue Account or, if required under the terms of a supplemental indenture authorizing the issuance of a Series of Bonds, in such subaccount thereof as may be created by such supplemental indenture for such Series of Bonds. There shall also be deposited in the Revenue Account, or subaccount thereof if applicable, any other amounts required to be deposited therein pursuant to the Indenture or a supplemental indenture.

The Revenue Account may consist of, and there may be created and established, one or more Revenue Subaccounts for each Series of Bonds (and subaccounts of such Revenue Subaccounts for any subseries of such Series) as required by the supplemental indenture authorizing such Series. Amounts deposited in a Revenue Subaccount may be used only for the purposes stated in the supplemental indenture creating such Revenue Subaccount.

The Trustee shall pay out of the Revenue Account:

- (i) on each Interest Payment Date, the amounts required for the payment of principal due, if any, and interest due on the Bonds on such date; and
- (ii) on any Redemption Date or date of purchase, the amounts required for the payment of accrued interest on the Bonds and for the payment of principal and Sinking Fund Payments to become due on the Bonds to be redeemed or purchased on such date, unless the payment of such accrued interest is otherwise provided for, and in each such case, such amounts will be applied by the Trustee to such payments or to reimburse any Credit Enhancer for any such payment made with any such Credit Enhancer's Credit Enhancement. The Trustee shall deliver written notice to the Corporation (which may be by facsimile transmission or otherwise) on the day before any payment required by the preceding sentence if on such date there are not sufficient funds in the Revenue Account to make such required payment, which notice shall include a statement of the amount of such deficiency.

As soon as practicable after the 45th day preceding the due date of any Sinking Fund Payment, the Trustee shall proceed to call for redemption on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of such Bonds of such maturity equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Revenue Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Revenue Account on the Redemption Date the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by the Trustee to such redemption.

Upon written instruction from the Corporation at any time, the Trustee shall apply amounts in the Revenue Account to the purchase of Outstanding Bonds in lieu of any redemption of such Bonds pursuant to the supplemental indenture applicable to such Bonds, and upon such purchase such Bonds shall be canceled. The Corporation shall notify the Trustee three Business Days before any date that the Corporation intends to instruct the Trustee to purchase Bonds, and, on the date of any such purchase, the Trustee shall notify the Credit Enhancer, if any, that has provided Credit Enhancement applicable to such Bonds. Any purchases shall be settled on such dates as the Corporation and the Trustee mutually agree will permit the Trustee to proceed with the payment of interest on any Bonds remaining Outstanding after such purchase on the applicable Interest Payment Date or with the redemption of any Bonds remaining Outstanding after such purchase on the applicable redemption date. The price paid by the Trustee for any Bond (excluding accrued interest on such Bonds, but including any brokerage and other charges) purchased pursuant to this paragraph shall not exceed the Redemption Price thereof. The Trustee will also pay from the Revenue Account accrued interest on any such Bond. Subject to the above limitations, the Trustee shall, at the written direction of the Corporation, purchase Bonds at such times, for such prices, in such amounts, and in such manner (whether after advertisement for tenders or otherwise) as the Corporation may determine and as may be possible with the amount of money available in the Revenue Account.

On the day following the payment of principal or interest with respect to the Bonds, the Trustee shall make transfers and payments from amounts remaining in the Revenue Account in the manner directed in writing by the Corporation or as provided in a supplemental indenture authorizing the issuance of a Series of Bonds.

Rebate Account (Section 504)

The Rebate Account is not pledged to secure the payment of principal or Redemption Price, if any, of or any interest on the Bonds.

The Corporation shall determine the Rebate Amount in accordance with the Code. If the Corporation determines that a Rebate Amount is required to be paid, the Corporation shall deposit such amount in the Rebate Account with written instructions to the Trustee to pay such amount to the Federal government. The Trustee shall make such payment in accordance with such written instructions.

If the amount in the Rebate Account exceeds the Rebate Amount, the Corporation may direct the Trustee in writing to withdraw such excess amount and deliver it to the Corporation, and, upon receipt of such written direction, the Trustee shall so withdraw and deliver such excess amounts free and clear of the lien of the Indenture.

Payment of Redeemed Bonds (Section 606)

Notice having been given by mailing in the manner provided in the Indenture, the Bonds or portion thereof so called for redemption will become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date. If there shall be drawn for redemption less than the entire principal amount of a Bond, the Corporation shall execute and the Trustee shall authenticate and deliver, upon the surrender of

such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered Bonds of like Series, interest rate and maturity in any of the Authorized Denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, are held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys are not so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Payment of Bonds (Section 701)

The Corporation shall 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 will duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

Power to Issue Bonds and Pledge Revenues and Other Property (Section 704)

The Corporation is duly authorized by law to authorize and issue the Bonds and to enter into, execute and deliver the Indenture and to pledge the assets and revenues purported to be pledged by the Indenture in the manner and to the extent provided in the Indenture. Except as provided in the Indenture and in the supplemental indentures authorizing the issuance of any Series of Bonds, the assets and revenues so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon, or with respect thereto prior to, or of equal rank with, the pledge created by the Indenture, and all corporate or other action on the part of the Corporation to that end has been or will be duly and validly taken. 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 and the terms of the Indenture. The Corporation directs that the Trustee shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the revenues and other assets, including rights therein pledged under the Indenture and in the supplemental indentures and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever, and the Corporation shall cooperate in all such matters.

Tax Covenants (Section 706)

With respect to Bonds, the interest on which was, at the time of initial issuance of the Bonds, intended to be excluded from gross income for Federal income tax purposes, the Corporation shall not knowingly take or cause any action to be taken which will adversely affect such exclusion. The Corporation shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid on such Bonds will, for the purposes of Federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation pursuant to the provisions of Section 103 of the Code, and the Regulations promulgated thereunder.

The Corporation shall not knowingly permit at any time or times any of the proceeds of such Bonds described in the immediately preceding paragraph or any other funds of the Corporation to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any such Bond to be an “arbitrage bond” as defined in Section 148 of the Code.

Accounts and Reports (Section 707)

The Corporation shall keep, or cause to be kept, proper books and reports in which complete and accurate entries will be made of all transactions relating to any programs for which Bonds are issued and all Accounts established by the Indenture, which books and reports and accountings shall at all reasonable times be subject to inspection by the Trustee, each Credit Enhancer and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

The Trustee shall advise the Corporation, in writing, on or before the 20th day of each calendar month, of the details of all deposits and Investment Securities held for the credit of each Fund and Account in its custody under the provisions of the Indenture as of the end of the preceding month. The Trustee shall also maintain, at the expense of the Corporation, an electronic access system which the Corporation may use to access the balances and respective investment holdings of each fund or account on a daily basis.

Supplemental Indentures (Sections 801, 802 and 803)

For any one or more of the following purposes and at any time or from time to time, a supplemental indenture may be entered into by and between the Corporation and the Trustee: (a) to provide for the issuance of a Series of Bonds and to fix or modify the terms of the Indenture with respect to a Series of Bonds or the creation of a Subseries of Bonds; (b) to add to the covenants and agreements of the Corporation in the Indenture other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with the Indenture as theretofore in effect; (c) to add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with the Indenture as theretofore in effect; (d) to 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 is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Indenture; (e) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture of any revenues or assets; (f) to modify the Indenture in any respect if:

(i) (A) such modification shall be, and be expressed to be, effective only with respect to Bonds issued after the date of the adoption of such supplemental indenture and (B) such supplemental indenture shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of the adoption of such supplemental indenture and of Bonds issued in exchange therefor or in place thereof, or

(ii) such change affects only Bonds which are subject to mandatory tender for purchase and such change is effective as of a date for such mandatory tender; or

(g) to provide for such terms as may be necessary to obtain or maintain the ratings on the Bonds or to provide for Credit Enhancement or other additional security for any Bonds.

At any time or from time to time a supplemental indenture may be entered into, which, upon a finding recited therein by the Corporation and the Trustee (which will be based on reliance on a Bond Counsel's Opinion) that there is no material adverse effect on the Bondholders, shall be fully effective in accordance with its terms:

(a) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture;

(b) to 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;

(c) to provide additional duties of the Trustee; or

(d) to make any other changes not materially adverse to the interests of the Bondholders.

At any time or from time to time, a supplemental indenture may be entered into subject to consent by Bondholders in accordance with and subject to the provisions of the Indenture, which supplemental indenture, upon compliance with the provisions of the Indenture, shall become fully effective in accordance with its terms as provided in the Indenture.

Amendment (Sections 902 and 903)

Any modification of or amendment to the Indenture and of the rights and obligations of the Corporation and of the holders of the Bonds may be made by a supplemental indenture with the written consent given as provided in the Indenture of the holders of at least 60% in principal amount of the Bonds Outstanding at the time such consent is given and in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least 60% in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and any such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. 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 thereon or a reduction in the principal amount of the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may in its sole discretion determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series or maturity

would be affected by any modification or amendment of the Indenture and any such determination shall be binding and conclusive on the Corporation and all holders of Bonds.

Such supplemental indenture shall not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of holders of the percentages of Outstanding Bonds specified in the immediately preceding paragraph and (ii) a Bond Counsel's Opinion stating that such supplemental indenture has been duly and lawfully entered into by the Corporation and the Trustee in accordance with the provisions of the Indenture, is authorized or permitted thereby and is valid and binding upon the Corporation and enforceable in accordance with its terms and (b) notice shall have been mailed to Bondholders as provided in the Indenture.

Modifications by Unanimous Consent (Section 904)

The terms and provisions of the Indenture and the rights and obligations of the Corporation and of the holders of the Bonds may be modified or amended in any respect upon the entering into and filing by the Corporation of a supplemental indenture and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in the Indenture, except that no notice of any such modification or amendment to Bondholders is required; but no such modification or amendment may change or modify any of the rights or obligations of the Trustee without the filing with the Trustee of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

Events of Default (Section 1001)

Each of the following is declared an "Event of Default": (a) the Corporation defaults in the payment of the principal of or Redemption Price, if any, on 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 of the Bonds is not made when and as the same becomes due; (c) the Corporation fails or refuses to comply with any of the provisions of the Indenture, or defaults in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture or in any supplemental indenture or in the Bonds, and such failure, refusal or default continues for a period of 45 days after written notice thereof given to the Corporation by the Trustee or the holders of not less than 25% in principal amount of the Outstanding Bonds; or (d) any event designated an Event of Default by a supplemental indenture has occurred and remains uncured.

Remedies (Section 1002)

Upon the happening and continuance of an Event of Default described in clauses (a) or (b) under "Summary of Certain Provisions of the Indenture — Events of Default," the Trustee shall proceed to protect and enforce its rights and the rights of the Bondholders by such of the remedies described herein as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights. Upon the happening and continuance of any Event of Default described in clauses (c) or (d) under "Summary of Certain Provisions of the Indenture — Events of Default," the Trustee may proceed to enforce such rights and, upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds, shall proceed to enforce such rights in its own name, subject to the provisions of the Indenture. The remedies

available to the Trustee under the Indenture are: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders or the Trustee, including the right to require the Corporation to receive and collect the revenues and assets adequate to carry out the covenants and agreements as to, and the pledge of, such revenues and assets and to require the Corporation to carry out any other covenants or agreements with Bondholders 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 holders 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 holders of the Bonds; or (e) by declaring all Bonds due and payable, and if all defaults are cured, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; provided, however, that no such declaration with respect to Bonds secured by Credit Enhancement may be annulled, regardless of any consent of Bondholders, unless and until the Credit Enhancer has verified to the Trustee in writing that the Credit Enhancement is in effect with respect to such Bonds to the same extent that it would have been in effect had the declaration not been made.

In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming due, and at any time remaining due and unpaid for principal, Redemption Price, interest or otherwise, under any provisions of the Indenture or a supplemental indenture or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any assets pledged under the Indenture, in any manner provided by law, the moneys adjudged or decreed to be payable.

Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the revenues and of the assets pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

A supplemental indenture may contain provisions granting to any Credit Enhancer the power to control the enforcement of remedies described under this heading “Summary of Certain Provisions of the Indenture — Remedies” with respect to the Series of Bonds to which the Credit Enhancement provided by the Credit Enhancer applies.

Priority of Payments after Default (Section 1003)

In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee shall be 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 amounts 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 holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee, including those of its attorneys, in the performance of its duties under the Indenture shall be applied as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

First, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installments, 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 any 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 of 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.

(ii) If the principal of all of the Bonds shall have become or shall have been declared due and payable, 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 principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, 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 shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, and the Trustee shall incur no liability whatsoever to the Corporation, to any Bondholder or to any other person 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 1005)

Anything in the Indenture to the contrary notwithstanding, the holders of the 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 that the Trustee shall have the right to decline to follow any such direction which

in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Rights of Bondholders (Section 1006)

No holder of any Bond will have 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 unless such holder has given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers 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 a reasonable time; 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 by law. It is understood and intended that no one or more holders 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 will be instituted, and maintained in the manner provided in the Indenture and for the benefit of all holders of the Outstanding Bonds. Nothing contained in the Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on, or Redemption Price, if any, of his or her Bonds, or the obligation of the Corporation to pay the principal of and interest on, or Redemption Price, if any, of 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 shall 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 any supplemental 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 any 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 made 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 Bondholder, or group of Bondholders, holding at least 25% in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Trustee (Article XI)

Except during the existence of an Event of Default, the Corporation shall remove the Trustee, on thirty (30) days' notice, if requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Corporation and signed by the holders of a majority in principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized, excluding any Bonds held by or for the account of the Corporation. Except during the existence of an Event of Default, the Corporation may remove the Trustee at any time for any such cause as determined in the sole discretion of the Corporation. Any successor to the Trustee must be a trust company or a bank having the powers of a trust company and having a capital, surplus and undivided profits aggregating at least \$25 million. The Corporation is required to pay to the Trustee from time to time, 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.

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 other moneys, securities, funds and property pledged by the Indenture and all other rights granted by the Indenture with respect to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the Corporation all moneys or securities held by the Trustee pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture and all covenants, agreements and obligations of the Corporation to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid with the effect expressed in the immediately preceding paragraph if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys in an amount which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Accountant, to pay when due the principal or Redemption Price, if any, of 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, and (iii) in the event said Bonds do not mature and are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form

satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the holders of such Bonds that the deposit required by (ii) above of this paragraph has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. Neither Government Obligations nor moneys deposited with the Trustee nor principal or interest payments on any such Government 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 any, of and interest on said Bonds; but any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, 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. There shall also be delivered to the Trustee in connection with the deposit of moneys or Government Obligations a Bond Counsel's Opinion that, with respect to Bonds the interest on which was intended at the time of their initial issuance to be excluded from gross income for Federal income tax purposes, the deposit of moneys does not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes and such deposit has been made in compliance with the Indenture.

Anything in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the said date when all of the Bonds became due and payable, shall, at the written request of the Corporation, be repaid by the Trustee to the Corporation, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged.

TAX MATTERS

2013 Series A Bonds

Opinions of Bond Counsel and Special Tax Counsel

In the opinions of Bond Counsel and Special Tax Counsel, to be delivered on the date of issuance of the 2013 Series A 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 2013 Series A Bonds is excluded from gross income for Federal income tax purposes and (ii) interest on the 2013 Series A 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 2013 Series A 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).

In the opinion of Bond Counsel, interest on the 2013 Series A 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).

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 2013 Series A Bonds, including compliance with restrictions on the yield of investments and periodic rebate payments to the Federal government. The Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 of the Corporation, which will be delivered concurrently with the delivery of the 2013 Series A Bonds, will contain provisions and procedures relating to compliance with such requirements of the Code. 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 2013 Series A Bonds shall not be included in gross income for Federal income tax purposes. Failure to comply with these covenants may result in interest on the 2013 Series A Bonds being included in gross income for Federal income tax purposes from the date of issuance of the 2013 Series A Bonds. 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 2013 Series A Bonds may affect the tax status of interest on the 2013 Series A Bonds.

Original Issue Discount

2013 Series A 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

2013 Series A 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 2013 Series A 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. This reporting requirement does not in and of itself affect or alter the excludability of interest on the 2013 Series A 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 2013 Series A 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 2013 Series A 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 2013 Series A Bonds.

Although Bond Counsel and Special Tax Counsel will each render an opinion that interest on the 2013 Series A Bonds will be excluded from gross income for Federal income tax purposes, the accrual or receipt of interest on the 2013 Series A 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 2013 Series A 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 2013 Series A 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 2013 Series A Bonds. 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 2013 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 2013 Series A Bonds or the market value thereof would be impacted thereby. Purchasers of the 2013 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 2013 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.

2013 Series B Bonds

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the 2013 Series B 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 2013 Series B 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 2013 Series B 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 2013 Series B Bond. A “non U.S. holder” is a holder (or beneficial owner) of a 2013 Series B 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 2013 Series B Bonds are issued by the Corporation, interest on the 2013 Series B 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 2013 Series B Bonds (including original issue discount treated as interest) will be fully subject to federal income taxation. Thus, owners of the 2013 Series B Bonds generally must include interest (including original issue discount treated as interest) on the 2013 Series B Bonds in gross income for federal income tax purposes.

Taxation of Interest Income of the 2013 Series B Bonds.

Payments of interest with regard to the 2013 Series B 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 2013 Series B 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 2013 Series B 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 2013 Series B Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the 2013 Series B Bonds.

A purchaser (other than a person who purchases a 2013 Series B Bond upon issuance at the issue price) who buys a 2013 Series B 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 2013 Series B Bonds.

Sale or Exchange of the 2013 Series B Bonds

If a Bondholder sells a 2013 Series B 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 2013 Series B Bond. Ordinarily, such gain or loss will be treated as a capital gain or loss. However, if a 2013 Series B Bond was subject to its initial issuance at a discount, a portion of such gain will be recharacterized as interest and therefore ordinary income.

If the terms of a 2013 Series B 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 2013 Series B Bond should consult its own tax advisor concerning the circumstances in which the 2013 Series B Bonds would be deemed reissued and the likely effects, if any, of such reissuance.

The legal defeasance of the 2013 Series B Bonds may result in a deemed sale or exchange of such 2013 Series B Bonds under certain circumstances. Owners of such 2013 Series B Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Unearned Income Medicare Contribution Tax

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the 2013 Series B Bonds should consult with their tax advisor concerning this additional tax as it may apply to interest earned on the 2013 Series B Bonds as well as gain on the sale of a 2013 Series B Bonds.

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 2013 Series B 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.

State, Local or Foreign Taxation

No representations are made regarding the tax consequences of purchase, ownership or disposition of the 2013 Series B 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 2013 Series B 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 2013 Series B Bond incurs acquisition indebtedness with respect to a 2013 Series B 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 2013 Series B 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 2013 Series B 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 2013 Series B Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Corporation or any Underwriter of the 2013 Series B 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 Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the 2013 Series B 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 2013 Series B Bonds. The sale of the 2013 Series B 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 2013 Series B 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.**

Exemption Under State Tax Law

In the opinion of Bond Counsel, interest on the 2013 Series B 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).

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 2013 Series B 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 2013 Series B 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 2013 Series B Bonds or the market value thereof would be impacted thereby. Purchasers of the 2013 Series B 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 2013 Series B 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.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters of each Series of the Offered 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 with respect to each Series of the Offered Bonds. 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, 2013, the financial and operating data concerning the Corporation outlined in each Continuing Disclosure Certificate. In addition, the Corporation will undertake, for the benefit of the registered owners and beneficial owners of the Offered Bonds, to provide to the Municipal Securities Rulemaking Board, the notices described in each Continuing Disclosure Certificate by the times set forth therein.

The sole and exclusive remedy for breach or default under each 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 Offered Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under either 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 each 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 Certificates.” 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 OFFERED BONDS

S&P has assigned the Offered Bonds a rating of “AA+” and Fitch has assigned the Offered Bonds a rating of “AA+”. The Corporation has furnished to each rating agency certain information and materials with respect to the Offered 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 respective Underwriters to purchase the Offered Bonds of each Series is conditioned on the assignment by S&P and Fitch of the respective aforementioned ratings to such Offered 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 Offered Bonds.

FINANCIAL STATEMENTS

The Corporation’s financial statements as of and for the year ended June 30, 2012, included in Appendix A to this Official Statement, have been audited by Mikunda, Cottrell & Co., independent auditors, as stated in their report appearing herein.

The unaudited financial statements of the Corporation as of and for the six months ended December 31, 2012, included in Appendix A to this Official Statement, appear without review or audit by an independent accountant.

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 Offered Bonds, or in any way contesting or affecting the validity of the Offered 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 Offered Bonds or the existence or powers of the Corporation.

LEGAL MATTERS

All legal matters incident to the authorization, sale and delivery of the Offered Bonds and certain Federal and state tax matters are subject to the approval of the Law Office of Kenneth E. Vassar, LLC, 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 Offered 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 Offered Bonds.

UNDERWRITING

The 2013 Series A Bonds are being purchased by the Underwriters. The Underwriters have jointly and severally agreed to purchase the 2013 Series A Bonds at the price of \$99,998,439.65. The Underwriters will be paid a fee of \$425,283.20 with respect to the 2013 Series A Bonds. The Bond Purchase Agreement with respect to the 2013 Series A 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 2013 Series A Bonds is *not* conditioned on the issuance and delivery of the 2013 Series B Bonds. The initial public offering prices and yields of the 2013 Series A Bonds may be changed from time to time by the Underwriters. The Underwriters may offer and sell the 2013 Series A 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 2013 Series A Bonds set forth on the inside cover page.

The 2013 Series B Bonds are being purchased by J.P. Morgan Securities LLC. J.P. Morgan Securities LLC has agreed to purchase the 2013 Series B Bonds at par. J.P. Morgan Securities LLC will be paid a fee of \$199,641.97 with respect to the 2013 Series B Bonds. The Bond Purchase Agreement with respect to the 2013 Series B Bonds provides that J.P. Morgan Securities LLC 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 J.P. Morgan Securities LLC to purchase the 2013 Series B Bonds is *not* conditioned on the issuance and delivery of the 2013 Series A Bonds. The initial public offering price of the 2013 Series B Bonds may be changed from time to time by J.P. Morgan Securities LLC. J.P. Morgan

Securities LLC may offer and sell the 2013 Series B Bonds to certain dealers (including dealers depositing such Bonds into unit investment trusts, certain of which may be sponsored or managed by J.P. Morgan Securities LLC) and others at prices higher than the public offering price of the 2013 Series B Bonds set forth on the inside cover page.

The following two paragraphs have been provided by J.P. Morgan Securities LLC:

Prior to entering into the above-described Bond Purchase Agreement with respect to the 2013 Series B Bonds, J.P. Morgan Securities LLC agreed that, if it were unable to sell all the 2013 Series B Bonds at par and bearing interest at a rate equal to LIBOR plus a fixed spread that is less than or equal to the initial fixed spread (the “Initial Fixed Spread”) communicated to prospective investors during the offering period for the 2013 Series B Bonds, it would purchase any unsold 2013 Series B Bonds pursuant to the above-described Bond Purchase Agreement at par and bearing interest at a rate equal to LIBOR plus a fixed spread that would not exceed the Initial Fixed Spread by more than five basis points. All 2013 Series B Bonds will bear interest at the same fixed spread over LIBOR during the Initial Floating Rate Term.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the 2013 Series A Bonds, 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 2013 Series A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2013 Series A Bonds that such firm sells.

The following paragraph has been provided by Morgan Stanley & Co. LLC:

Morgan Stanley, the parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the 2013 Series A 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 2013 Series A Bonds.

The following paragraph has been provided by the Underwriters:

Each of the Underwriters and its affiliates is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Each of the Underwriters and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Corporation, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, each of the Underwriters and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at

any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Corporation. Each of the Underwriters and its affiliates may hold bonds that the Corporation is refunding through the issuance of the 2013 Series A Bonds and as a result may receive proceeds from such refunding.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Corporation in connection with the issuance of the Offered Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Offered Bonds is contingent upon the issuance and delivery of the Offered 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 Offered 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 Offered 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 Offered Bonds.

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APPENDIX A

FINANCIAL STATEMENTS OF THE CORPORATION

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a component unit of the State of Alaska

**Quarterly Unaudited
Financial Statements
December 31, 2012**

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This is an unaudited quarterly publication of Alaska Housing Finance Corporation. For comments or questions:
 Website: <http://www.ahfc.us/financials/financials.cfm> or
 E-Mail: dboyce@ahfc.us

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

As of December 31, 2012

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Funds
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Cash	31,951	5,728	99
Investments	779,757	-	541,431
Accrued interest receivable	1,356	-	10,262
Inter-fund due to/from	(22,538)	(40,470)	64,718
Mortgage loans, notes and other loans	82,590	-	2,312,316
Net investment in direct financing lease	-	-	50,092
Unamortized bond issuance costs	-	-	12,621
Capital assets - non-depreciable	2,539	152	-
Capital assets - depreciable, net	14,791	57	-
Other assets	12,374	16,078	13
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	521	7,523	-
	-	-	-
Deferred outflow of resources	-	-	198,538
Total Assets and Deferred Outflows	903,341	(10,932)	3,190,090
<u>LIABILITIES AND DEFERRED INFLOWS</u>			
Bonds and notes payable	-	-	2,382,063
Short term debt	81,487	-	-
Accrued interest payable	1,614	-	9,054
Other liabilities	9,656	156	1,436
Derivative instrument - interest rate swaps	-	-	202,128
Intergovernmental payable	139	-	99
	-	-	-
Deferred inflow of resources	-	-	-
Total Liabilities & Deferred Inflows	92,896	156	2,594,780
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	17,330	209	-
Restricted by bond resolutions	-	-	601,859
Restricted by contractual or statutory agreements	106,654	18,411	27,773
Unrestricted net assets, (deficit)	686,461	(29,708)	(34,322)
Total Net Assets	810,445	(11,088)	595,310

See accompanying notes to the financial statements.

Exhibit A

Other Funds or Programs	Total December 31, 2012
21,544	59,322
11,130	1,332,318
-	11,618
(1,710)	-
-	2,394,906
-	50,092
-	12,621
15,392	18,083
92,022	106,870
1,320	29,785
-	-
-	8,044
-	198,538
139,698	4,222,197
-	2,382,063
-	81,487
-	10,668
1,489	12,737
-	202,128
-	238
-	-
1,489	2,689,321
107,414	124,953
-	601,859
31,532	184,370
(737)	621,694
138,209	1,532,876

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Six Months Ended December 31, 2012

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Funds
<u>OPERATING REVENUES</u>			
Mortgage and loans revenue	2,172	-	62,427
Investment interest	151	5	4,008
Net change in the fair value of investments	2,176	-	(19)
Net change of hedge termination	-	-	133
Total Investment Revenue	2,327	5	4,122
Externally funded programs	-	68,304	-
Rental	53	10	-
Other	1,568	547	-
Total Operating Revenues	6,120	68,866	66,549
<u>OPERATING EXPENSES</u>			
Interest	39	-	49,011
Mortgage and loan costs	510	-	4,579
Financing expenses	303	-	5,306
Provision for loan loss	4,655	-	(4,487)
Operations and administration	10,930	7,044	1,913
Rental housing operating expenses	148	237	-
Housing grants and subsidies	-	76,222	-
Total Operating Expenses	16,585	83,503	56,322
Operating Income (Loss)	(10,465)	(14,637)	10,227
<u>NONOPERATING EXPENSES, SPECIAL ITEM & TRANSFERS</u>			
Contributions to the State of Alaska or other State agencies	(2,233)	-	(163)
Special Item	-	-	-
Transfers - Internal	23,232	9,340	(35,481)
Change in Net Assets	10,534	(5,297)	(25,417)
Net assets at beginning of year	799,911	(5,791)	620,727
Net Assets at End of Period	810,445	(11,088)	595,310

See accompanying notes to the financial statements.

Exhibit B

Other Funds or Programs	Total December 31, 2012
-	64,599
17	4,181
-	2,157
-	133
17	6,471
5,950	74,254
4,229	4,292
4	2,119
10,200	151,735
-	49,050
-	5,089
-	5,609
-	168
8,088	27,975
6,002	6,387
106	76,328
14,196	170,606
(3,996)	(18,871)
-	(2,396)
-	-
2,909	-
(1,087)	(21,267)
139,296	1,554,143
138,209	1,532,876

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

For the Six Months Ended December 31, 2012

(in thousands of dollars)

	Administrative Fund	Grant Programs	Mortgage or Bond Programs
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	596	-	57,917
Principal payments received on mortgages and loans	1,153	-	337,598
Purchases of mortgages and loans	(216,341)	-	-
Receipt (payment) for loan transfers between funds	201,675	-	(201,675)
Payments to employees and other payroll disbursements	(11,001)	(3,205)	-
Payments for goods and services	(8,013)	(2,176)	-
Cash received for externally funded programs	3,755	60,864	-
Cash received for Federal HAP subsidies	-	15,753	-
Payments for Federal HAP subsidies	-	(16,044)	-
Interfund Receipts	475,012	69,022	400,934
Interfund Payments	(480,260)	(64,359)	(401,133)
Grant payments to other agencies	(12,025)	(60,408)	-
Other operating cash receipts	17,880	954	99
Other operating cash payments	(8,812)	(3,326)	(217)
Net cash provided by (used for) operating activities	(36,381)	(2,925)	193,523
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	358,818
Principal paid on bonds	-	-	(379,302)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(2,084)	-	-
Interest paid	(39)	-	(48,992)
Proceeds from issuance of short term debt	212,863	-	-
Payment of short term debt	(200,061)	-	-
Contributions to the State of Alaska or other State agencies	(2,141)	-	(163)
Transfers (to) from other funds	55,530	-	(55,530)
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	64,068	-	(125,169)
<u>Cash flows from capital financing activities:</u>			
Acquisition of capital assets	(3,429)	(173)	-
Proceeds from the disposal of capital assets	-	1	-
Proceeds from the issuance of capital notes	-	-	-
Principal paid on capital notes	-	-	(3,773)
Payment of bond issuance costs	-	-	-
Interest paid on capital notes	-	-	(1,669)
Proceeds from the direct financing lease payments	-	-	5,038
Other cash payments	(51)	-	-
Net cash provided by (used for) capital financing activities	(3,480)	(172)	(404)
<u>Cash flows from investing activities:</u>			
Purchase of investments	(2,740,996)	-	(1,764,103)
Proceeds from maturity of investments	2,712,947	-	1,693,893
Interest received from investments	157	4	2,142
Net cash provided by (used for) investing activities	(27,892)	4	(68,068)
Net Increase (decrease) in cash	(3,685)	(3,093)	(118)
Cash at the beginning of year	35,636	8,821	217
Cash at the end of period	31,951	5,728	99
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	(10,465)	(14,637)	10,227
Adjustments:			
Depreciation expense	424	10	-
Provision for loan losses	4,655	-	(4,487)
Amortization of bond issuance costs	-	-	2,415
Net change in the fair value of investments	(2,176)	-	19
Transfers between funds for operating activity	(15,887)	9,340	4,802
Interest received from investments	(157)	(4)	(2,142)
Interest paid	39	-	50,661
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	(13,513)	-	135,923
Net increase (decrease) in assets and liabilities	699	2,366	(3,895)
Net cash provided by (used for) operating activities	(36,381)	(2,925)	193,523
Noncash investing, capital and financing activities:			
Deferred outflow of resources			17,219
Derivative instruments liability			(17,352)
Net change of hedge termination			133

See accompanying notes to the financial statements.

Exhibit C

Other Funds or Programs	Total December 31, 2012
-	58,513
-	338,751
-	(216,341)
-	-
(4,598)	(18,804)
(4,779)	(14,968)
5,798	70,417
-	15,753
-	(16,044)
8,924	953,892
(8,140)	(953,892)
-	(72,433)
4,497	23,430
(5)	(12,360)
<u>1,697</u>	<u>155,914</u>
-	358,818
-	(379,302)
-	-
-	(2,084)
-	(49,031)
-	212,863
-	(200,061)
-	(2,304)
-	-
-	-
<u>-</u>	<u>(61,101)</u>
(111)	(3,713)
-	1
-	-
-	(3,773)
-	-
-	(1,669)
-	5,038
-	(51)
<u>(111)</u>	<u>(4,167)</u>
(82,490)	(4,587,589)
82,474	4,489,314
17	2,320
<u>1</u>	<u>(95,955)</u>
1,587	(5,309)
19,957	64,631
<u>21,544</u>	<u>59,322</u>
(3,996)	(18,871)
3,343	3,777
-	168
-	2,415
-	(2,157)
1,745	-
(17)	(2,320)
-	50,700
-	122,410
622	(208)
<u>1,697</u>	<u>155,914</u>

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NOTES TO FINANCIAL STATEMENTS

FOOTNOTE INDEX

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NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

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 that 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. They issue their own annual stand-alone audited financial statements.

- 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.

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

The Corporation has another subsidiary, Alaska Corporation for Affordable Housing (ACAH) that was incorporated under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Housing Finance Corporation Act (AS 18.56), as amended. Neither the Corporation nor the State is liable for any debt issued by ACAH. It is a government instrumentality of, but has a legal existence separate and apart from, the State.

- ACAH was incorporated on February 1, 2012 in the State of Alaska pursuant to House Bill 119 of the 2011 Alaska Legislature.

ACAH benefits and supports the Corporation in providing safe, quality and affordable housing and services to low-income, moderate-income and elderly Alaskans. AHFC has financial accountability for ACAH due to its fiscal dependency on AHFC. ACAH is a blended component unit of the Corporation and thus will be included on the Corporation's financial statements.

NOTES TO FINANCIAL STATEMENTS

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 Funds in separate columns. The total column presents the entity-wide amounts for the Corporation.

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.

Grant Programs. Resources provided to other agencies and individuals to develop and improve affordable housing units for lower income families, to assist in improving the energy efficiency of Alaska homes, and to provide tenant-based rental assistance programs for families in the private market (administered by the Corporation under contract with HUD), are aggregated and reported in Grant Programs.

Mortgage or Bond Funds. Resources to assist in the financing of loan programs or to fund legislature appropriations are aggregated and reported in Mortgage or Bond Funds.

Other Funds or Programs. AHFC owned housing for low income families managed under contract with HUD are aggregated and reported in Other Funds or Programs.

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. 16, 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.

NOTES TO FINANCIAL STATEMENTS

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):

	December 31, 2012
Restricted cash	\$ 27,372
Unrestricted	31,950
Carrying amount	<u>\$ 59,322</u>
Bank Balance	<u>\$ 60,900</u>

NOTES TO FINANCIAL STATEMENTS

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	December 31, 2012
Bank investment contracts	\$ -	\$ 40,477	\$ -	\$ -	\$ 40,477
U. S. Treasury securities	815	3,310	-	-	4,125
Securities of U. S. Government agencies and corporations	-	2,388	106	-	2,494
Certificates of deposit	1,001	-	1,000	-	2,001
Commercial paper & medium-term notes	314,611	680	-	-	315,291
Money market funds	356,858	-	-	-	356,858
Subtotal	\$ 673,285	\$ 46,855	\$ 1,106	\$ -	721,246
GeFONSI pool					611,072
Total AHFC Portfolio					\$ 1,332,318

Restricted Investments

A majority of the Corporation's investments, \$659,215,000, are restricted by bond resolutions, contractual agreements, and statutory agreements and the remainder of \$673,103,000 are unrestricted.

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):

	December 31, 2012
Ending unrealized holding gain	\$ 22,779
Beginning unrealized holding gain	20,602
Net change in unrealized holding gain	2,177
Net realized gain (loss)	(20)
Net increase (decrease) in fair value	\$ 2,157

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 trusted or non-trusted, and this classification determines the applicable investment guidelines used by staff when making investment decisions. Trusted funds are invested in accordance with their respective indentures or governing agreements. Non-trusted funds are governed by the terms outlined in the Corporation's Fiscal Policies and are typically invested to meet the projected need for use of such funds.

The following securities are eligible for investment under the Corporation's Fiscal Policies:

- Obligations backed by the full faith and credit of the United States;
- Obligations of U.S. government-sponsored enterprises (GSEs) and federal agencies not backed by the full faith and credit of the United States
- Obligations of the World Bank rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year or "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Money market funds rated at least "AAm" by S&P or "Aa-mf" by Moody's or "AAmmf" by Fitch;

NOTES TO FINANCIAL STATEMENTS

- Banker's acceptances and negotiable certificates of deposit of any bank the unsecured short-term obligations of which are rated at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch and which is incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or which is a foreign bank with a branch or agency licensed under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or which is a foreign bank having a long-term issuer rating of at least "AA" from S&P or "Aa2" from Moody's or "AA" from Fitch;
- 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) where: the counterparty is designated as a primary dealer by the Federal Reserve and has a long-term debt rating of at least "A" by S&P or "A" by Moody's or "A" by Fitch or a short-term rating of at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch; collateral is pledged at a minimum level of 102%, valued on a daily basis with a one-business-day cure period; the term of such repurchase agreement is one week or less; a third-party custodian acting as the Corporation's agent has possession of the collateral and holds such collateral in the Corporation's name; the agreement is evidenced by standard documents published by the Securities Industry and Financial Markets Association (SIFMA); and the securities to be repurchased are obligations backed by the full faith and credit of the United States or obligations of U.S. government-sponsored enterprises and federal agencies not backed by the full faith and credit of the United States or obligations of the World Bank rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year or "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Guaranteed investment contracts with a financial institution having outstanding unsecured long-term obligations rated, or an investment agreement rating of, at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch, or, if the term is one year or less, at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch;
- Fixed and floating-rate notes and bonds (other than commercial paper) issued by corporate or municipal obligors and rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year, or at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing, or with a provision for investor withdrawal or put at par, in one year or less;
- Asset-backed securities (other than asset-backed commercial paper) rated at least "AA+" by S&P or "Aa1" by Moody's or "AA+" by Fitch; and
- Investment pools managed by the State of Alaska, including the General Fund and Other Non-Segregated Investments (GeFONSI) pool.

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 for the Corporation's investment in the GeFONSI pool are not available at this time.

NOTES TO FINANCIAL STATEMENTS

The credit quality ratings of the Corporation's investments as of December 31, 2012, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). The Corporation's investments included \$4,125,000 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.

	Moody's	S & P	Investment Fair Value
Securities of U. S. Government agencies and Corporations:			
	Aaa	AA+	\$ 2,259
	Aaa	AA	235
			<u>2,494</u>
Certificates of deposit:			
	P-1	A-1	1,000
	P-1	A-1+	1,001
			<u>2,001</u>
Commercial paper, medium-term notes:			
	A1	A+	3,028
	A2	A	4,131
	A2	A+	1,017
	A2	--	1,000
	Aa1	A+	53
	Aa1	AA-	100
	Aa2	AA-	158
	Aa2	AA	1,014
	Aa2	AA+	157
	Aa3	A-	100
	Aa3	AA-	1,005
	Aaa	AAA	106
	Aaa	A+	101
	--	A+	1,000
	P-1	A-1+	274,308
	P-1	A-1	23,213
	P-1	A-2	2,000
	P-2	A-1+	2,800
			<u>315,291</u>
Money market funds:			
	--	AAAm	356,858
Unrated investments:			
Bank investment contracts			40,477
			<u>\$ 717,121</u>

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.us/pros/investors/fiscal-policies>

Investment Category	Category Limit as % of Total Portfolio	Issuer Limit as % of Total Portfolio
U.S. government obligations	n/a	n/a
U.S. GSEs and agencies	n/a	35%
World Bank obligations	n/a	35%
Money market funds	n/a	n/a
Banker's acceptances, negotiable CDs	n/a	5%
Commercial paper	n/a	5%
Repurchase agreements	n/a	25%
Guaranteed investment contracts	n/a	5%
Corporate and municipal notes and bonds	n/a	5%
Asset-backed securities	20%	5%
State of Alaska investment pools	n/a	n/a

NOTES TO FINANCIAL STATEMENTS

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. As of December 31, 2012, 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	\$ 611,072	45.87 %
Fedrated Investment Prime	341,908	25.66
Standard	102,003	7.66
Nordea North America	84,461	6.34

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 \$60,900,000 bank balance at December 31, 2012, cash deposits in the amount of \$16,000 were uninsured and uncollateralized. Additional cash deposits in the amount of \$38,996,000 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name.

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 not available at this time.

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 December 31, 2012:

	Investment Fair Value	Modified Duration
Bank investment contracts	\$ 40,477	-
U. S. Treasury securities:		
Treasury coupon securities	3,310	2.213
Treasury discounts	815	0.313
Securities of U. S. Government agencies and corporations:		
Federal agency coupon securities	2,259	1.759
Federal agency pass through securities	235	2.495
Certificates of deposit	2,001	3.120
Commercial paper & medium-term notes:		
Commercial paper discounts	302,321	0.222
Corporate bonds	106	2.203
Medium-term notes	10,861	0.508
Floating rate notes	2,003	0.653
Money market funds	356,858	
	<u>\$ 721,246</u>	
Portfolio modified duration		0.709

NOTES TO FINANCIAL STATEMENTS

4 INTERFUND RECEIVABLE/PAYABLE

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

Due To	Due From				Total
	Administrative Fund	Grant Programs	Mortgage or Bond Programs	Other Funds or Programs	
Administrative Fund	\$ -	\$ 40,470	\$ -	\$ 1,710	\$ 42,180
Grant Programs	-	-	-	-	-
Mortgage or Bond Programs	64,718	-	-	-	64,718
Other Funds or Programs	-	-	-	-	-
Total	\$ 64,718	\$ 40,470	\$ -	\$ 1,710	\$ 106,898

The balance of \$64,718,000 due to the Mortgage or Bond programs 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 balances of \$40,470,000 and \$1,710,000 due to the Administrative Fund from the Grant Programs and the Other Funds or Programs respectively resulted primarily from expenditures paid by the Administrative Fund on behalf of those programs, as well as an allocation of management and bookkeeping fees mandated by HUD.

5 MORTGAGE LOANS, NOTES AND OTHER LOANS

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

	December 31, 2012
Mortgage loans	\$ 2,143,314
Multifamily loans	247,012
Other notes receivable	93,174
	<u>2,483,500</u>
Less:	
Allowance for losses	(88,594)
Net Mortgage loans, notes and other loans	<u>\$ 2,394,906</u>

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):

	December 31, 2012
<u>Delinquencies and foreclosures:</u>	
Loans delinquent 30 days or more	\$ 128,490
Foreclosures during period	5,834
Loans in foreclosure process	29,703
<u>Mortgage-related commitments:</u>	
To purchase mortgage loans	67,615

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.

NOTES TO FINANCIAL STATEMENTS

7 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. The lease of the building to the State has been recorded as a direct financing lease.

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 December 31, 2012 was \$43,248,000. 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, 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):

12 Months Ending December 31	Future Minimum Payments Due		
	Parking Garage	Building	Total
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
2017	3,304	1,734	5,038
Thereafter	33,036	-	33,036
Gross payments due	49,556	15,602	65,158
Less: Unearned revenue	(13,379)	(1,687)	(15,066)
Net investment in direct financing lease	\$ 36,177	\$ 13,915	\$ 50,092

8 CAPITAL ASSETS

Capital assets activity for the six months ended December 31, 2012 and a summary of balances are shown below (in thousands):

	June 30, 2012	Additions	Reductions	December 31, 2012
Non-Depreciable Capital Assets:				
Land	\$ 16,153	\$ -	\$ -	\$ 16,153
Construction in progress	478	1,452	-	1,930
Total Non-Depreciable	16,631	1,452	-	18,083
Depreciable Capital Assets:				
Buildings	233,361	1,830	-	235,191
Computers & Equipment	1,811	55	(71)	1,795
Vehicles	2,031	30	(17)	2,044
Less: Accumulated depreciation				
Buildings	(125,388)	(3,599)	-	(128,987)
Computers & Equipment	(1,381)	(117)	68	(1,430)
Vehicles	(1,699)	(61)	17	(1,743)
Total Depreciable, Net	108,735	(1,862)	(3)	106,870
Total Capital Assets, Net	\$ 125,366	\$ (410)	\$ (3)	\$ 124,953

The depreciation expense charged by the Corporation was \$3,777,000 for the six months ended December 31, 2012. 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 \$6,551,000 at December 31, 2012.

NOTES TO FINANCIAL STATEMENTS

9 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 December 31, 2012, there are no draw down bonds outstanding.

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

	Original Amount	December 31, 2012
First-Time Home Buyer Program		
<i>Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2009 Series A-1; 3.07%, due 2027-2041	\$ 64,350	\$ 63,210
• 2009 Series A-2; 2.32%, due 2026-2041	128,750	117,730
• 2010 Series A; 1.05% to 4.00%, due 2013-2027 Unamortized discount	43,130	38,615 (198)
• 2010 Series B; 1.05% to 4.625%, due 2013-2040	35,680	34,180
• 2011 Series B; 0.70% to 4.05%, due 2013-2026	71,360	70,185
<i>Mortgage Revenue Bonds, Taxable:</i>		
• 2011 Series A; 2.80% due 2015-2026	28,945	22,595
Total Mortgage Revenue Bonds	372,215	346,317
<i>Home Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2002 Series A; Floating Rate*; 0.16% at December 31, 2012, due 2032, 2036 Unamortized swap termination penalty	170,000	142,025 (9,663)
• 2006 Series A; 4.10% to 5.00%, due 2013-2036 Unamortized premium	98,675	35,150 218
• 2007 Series A; Floating Rate*; 0.32% at December 31, 2012, due 2017-2041 Unamortized deferred debt refunding expense	75,000	75,000 (1,639)
• 2007 Series B; Floating Rate*; 0.40% at December 31, 2012, due 2017-2041 Unamortized deferred debt refunding expense	75,000	75,000 (1,639)
• 2007 Series D; Floating Rate*; 0.20% at December 31, 2012, due 2017-2041 Unamortized deferred debt refunding expense	89,370	89,370 (2,009)
• 2009 Series A; Floating Rate*; 0.12% at December 31, due 2020-2040 Unamortized deferred debt refunding expense	80,880	80,880 (1,278)
• 2009 Series B; Floating Rate*, 0.10% at December 31, 2012, due 2020-2040 Unamortized deferred debt refunding expense	80,880	80,880 (1,278)
• 2009 Series C; 4.625% to 5.25%, due 2013-2034	80,870	22,915
• 2009 Series D; Floating Rate*; 0.13% at December 31, 2012, due 2020-2040 Unamortized deferred debt refunding expense	80,870	80,870 (1,230)
Total Home Mortgage Revenue Bonds	831,545	663,572

NOTES TO FINANCIAL STATEMENTS

	Original Amount	December 31, 2012
Veterans Mortgage Program Bonds and Notes:		
<i>Collateralized State Guaranteed Bonds and Notes, Tax-Exempt:</i>		
• 2006 First Series, 4.00% to 4.90%, due 2013-2037	190,000	106,325
• 2007 & 2008 First Series, 3.50% to 5.25%, due 2013-2038	57,885	32,295
Total Veterans Mortgage Program Bonds	247,885	138,620
Other Housing Bonds:		
<i>Housing Development Bonds, Tax-Exempt:</i>		
• 2004 Series A; 4.05% to 4.80%, due 2013-2026	33,060	19,280
• 2004 Series B; 3.85% to 4.75%, due 2013-2032	52,025	37,845
<i>Housing Development Bonds, Taxable:</i>		
• 2004 Series D; 4.60% to 5.60%, due 2013-2043	105,000	100,520
Sub-Total Housing Development Bonds	190,085	157,645
<i>General Mortgage Revenue Bonds, Tax-Exempt:</i>		
• 2012 Series A; 0.40% to 4.30%, due 2013-2040	145,890	145,655
Unamortized discount		(756)
Unamortized premium		1,276
Unamortized deferred debt refunding expense		(1,443)
<i>General Mortgage Revenue Bonds, Taxable:</i>		
• 2012 Series B; Floating Rate*, 016% at December 31, 2012, due 2042	50,000	50,000
<i>Government Purpose Bonds, Tax-Exempt:</i>		
• 1997 Series A, Floating Rate*, monthly payments, 0.11% at December 31, 2012, due 2027	33,000	14,600
• 2001 Series A, Floating Rate*, 0.11% at December 31, 2012, due 2013-2030	76,580	56,795
Unamortized swap termination penalty		(7,115)
• 2001 Series B, Floating Rate*, 0.11% at December 31, 2012, due 2013-2022	93,590	69,400
Total Other Housing Bonds	589,145	486,057
Non-Housing Bonds:		
<i>State Capital Project Bonds, Tax-Exempt:</i>		
• 2002 Series C; Floating Rate*, 0.11% at December 31, 2012, due 2013-2022	60,250	57,955
• 2006 Series A; 3.50% to 5.00%, due 2013-2040	100,890	92,185
Unamortized discount		(1,219)
Unamortized premium		1,098
• 2007 Series A & B; 4.00% to 5.25%, due 2013-2029	95,525	81,535
Unamortized discount		(52)
Unamortized premium		1,929
Unamortized deferred debt refunding expense		(2,415)

NOTES TO FINANCIAL STATEMENTS

	Original Amount	December 31, 2012
• 2011 Series A; 4.00% to 5.00%, due 2013-2027	105,185	86,525
Unamortized discount		(104)
Unamortized premium		2,334
• 2012 Series A; 2.00% to 5.00%, due 2013-2032	99,360	97,020
Unamortized discount		(137)
Unamortized premium		12,847
State Capital Project Bonds, Taxable:		
• 2012 Series B; Floating Rate*, 0.11% at December 31, 2012, due 2042	50,000	50,000
General Housing Purpose Bonds, Tax-Exempt:		
• 2005 Series A; 3.55% to 5.25%, due 2013-2041	143,235	135,710
Unamortized premium		2,910
• 2005 Series B; 3.70% to 5.25%, due 2013-2030	147,610	120,875
Unamortized deferred debt refunding expense		(8,316)
Unamortized premium		2,903
• 2005 Series C; 5.00%, due 2013-2017	16,885	13,915
Total Non-Housing Bonds	818,940	747,497
Total Bonds and Notes Payable	\$ 2,859,730	\$ 2,382,063

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 six months ended December 31, 2012, the Corporation made \$247,220,000 special revenue redemptions and \$99,265,000 current refundings. The Corporation made \$363,290,000 special revenue redemptions and no current refundings during fiscal year 2012.

Debt Service Requirements**

For all mortgage bonds and notes in the preceding schedules, the Corporation's debt service requirements through 2017 and in five year increments thereafter to maturity are shown below (in thousands):

12 Months Ending December 31, 2012	Total Debt Service		
	Principal	Interest*	Total
2013	\$ 56,580	\$ 91,669	\$ 148,249
2014	52,685	89,774	142,459
2015	53,740	87,969	141,709
2016	55,625	86,032	141,657
2017	61,130	83,842	144,972
2018-2022	381,525	378,211	759,736
2023-2027	450,310	293,998	744,308
2028-2032	500,650	193,015	693,665
2033-2037	428,405	92,792	521,197
2038-2042	354,520	25,829	380,349
2043	1,870	52	1,922
	\$ 2,397,040	\$ 1,423,183	\$ 3,820,223

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at December 31, 2012

** Also see Note 10 – Derivatives.

NOTES TO FINANCIAL STATEMENTS

10 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 risks, 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 December 31, 2012, 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 December 31, 2012, 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	AAA/Aa3
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	AAA/Aa3
SC02C ³	12/05/02	4.3030	SIFMA ⁶ +0.115%	07/01/22	A+/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	A+/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	A+/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 December 31, 2012, is shown below (in thousands). The fair value is reported as a deferred outflow / inflow of resources in the Statement of Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values		Change in Fair Value
			December 31, 2012	June 30, 2012	
GP01A	\$ 56,795	\$ 62,671	\$ (5,876)	\$ (6,419)	\$ 543
GP01B	69,400	87,632	(18,232)	(19,306)	1,074
E021A1	43,905	50,767	(6,862)	(7,397)	535
E021A2	98,120	106,051	(7,931)	(8,764)	833
SC02C	57,955	67,268	(9,313)	(9,689)	376
E071AB	143,622	187,983	(44,361)	(48,522)	4,161
E071BD	95,748	124,996	(29,248)	(31,966)	2,718
E091A	72,789	95,969	(23,180)	(25,233)	2,053
E091B	72,789	95,920	(23,131)	(25,267)	2,136
E091ABD	97,052	127,456	(30,404)	(33,194)	2,790
Total	\$ 808,175	\$ 1,006,713	\$ (198,538)	\$ (215,757)	\$ 17,219

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2012, 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	VRDO	VRDO	Swap Net	Total
Ending June 30	Principal	Interest	Payment	Payments
2013	\$ 6,290	\$ 709	\$ 13,939	\$ 20,938
2014	13,020	1,406	27,545	41,971
2015	13,570	1,390	27,084	42,044
2016	14,160	1,374	26,603	42,137
2017	17,200	1,357	26,101	44,658
2018-2022	129,935	6,261	119,028	255,224
2023-2027	150,840	5,103	94,009	249,952
2028-2032	169,685	3,743	66,726	240,154
2033-2037	166,540	2,242	38,502	207,284
2038-2042	126,935	664	10,435	138,034
	<u>\$ 808,175</u>	<u>\$ 24,249</u>	<u>\$ 449,972</u>	<u>\$ 1,282,396</u>

Credit Risk

As of December 31, 2012, 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 32% of the total notional amount of the swaps is held with one counterparty rated AAA/Aa1. Another 31% of the total notional amount of the swaps is held with one counterparty rated A+/Aa1. Of the remaining swaps, one counterparty is rated AAA/Aa3, another counterparty is rated A/A1, and the remaining counterparty is rated A+/Aa3, approximating 21%, 9%, and 7% respectively, of the total notional amount of the swaps.

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.

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 December 31, 2012, SIFMA was 0.1300% and 1-month LIBOR was 0.2097%, resulting in a SIFMA/LIBOR ratio of 62%. The 3-month LIBOR was 0.3100%, resulting in a SIFMA/LIBOR ratio of 42%. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

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.

NOTES TO FINANCIAL STATEMENTS

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 December 31, 2012, 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	A+/Aa1

The change in fair value of the investment derivatives as of December 31, 2012, is shown below (in thousands) and is presented as a net change of the hedge termination line in the Statement of Revenues, Expenses, and Changes in Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values		Change In Fair Value
			December 31, 2012	June 30, 2012	
SC02B	\$ 14,555	\$ 18,145	\$ (3,590)	\$ (3,723)	\$ 133

Credit Risk

As of December 31, 2012, 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 A+/Aa1.

11 LONG TERM LIABILITIES

The activity for the six months ended December 31, 2012 is summarized in the following schedule (in thousands):

	June 30, 2012	Additions	Reductions	December 31, 2012	Due Within One Year
Total bonds and notes payable	\$ 2,407,864	\$ 358,329	\$ (384,130)	\$ 2,382,063	\$ 56,580
Compensated absences	5,250	1,879	(1,613)	5,516	2,338
Other liabilities	554	385	(215)	724	187
Total long-term Liabilities	\$ 2,413,668	\$ 360,593	\$ (385,958)	\$ 2,388,303	\$ 59,105

12 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. The lowest yield during the six months ended December 31, 2012 was 0.20% and the highest was 0.23%.

NOTES TO FINANCIAL STATEMENTS

Short term debt activity for the six months ended December 31, 2012 is summarized in the following schedule (in thousands):

	June 30, 2012	Additions	Reductions	December 31, 2012
Commercial paper	\$ 68,700	\$ 212,900	\$ (200,100)	\$ 81,500
Unamortized discount	(15)	(37)	39	(13)
Commercial paper, net	\$ 68,685	\$ 212,863	\$ (200,061)	\$ 81,487

13 TRANSFERS

Transfers for the six months ended December 31, 2012 are summarized in the following schedule (in thousands):

	From				
	Administrative Fund	Grant Programs	Mortgage or Bond Programs	Other Funds or Programs	Total
T Administrative Fund	\$ -	\$ 4,296	\$ 252,143	\$ -	\$ 256,439
O Grant Programs	13,664	-	-	-	13,664
Mortgage or Bond Programs	216,662	-	64,960	-	281,622
Other Funds or Programs	2,881	28	-	-	2,909
Total	\$ 233,207	\$ 4,324	\$ 317,103	\$ -	\$ 554,634

Transfers are used to:

- (1) move cash between the Administrative Fund and the Mortgage or Bond Programs to subsidize debt service payments or satisfy bond indenture requirements,
- (2) move mortgages between the Administrative Fund and the Mortgage or Bond Programs,
- (3) record expenditures paid on behalf of the Grant Programs, the Mortgage or Bond Programs, and the Other Funds or Programs by the Administrative Fund,
- (4) move cash and mortgages between various Mortgage or Bond Programs.

14 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 $\frac{1}{4}$ to $\frac{1}{2}$ of 1% per annum of the aggregate liability or commitment amount.

The Corporation had unused bond related liquidity facilities of \$452,265,000 and bond insurance of \$637,015,000 at December 31, 2012.

15 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. The amount of excess earnings recorded as expensed and paid for the six months ended December 31, 2012 was \$209,000 and \$39,000 respectively.

16 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:

NOTES TO FINANCIAL STATEMENTS

"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–FY2013 were \$1,598,813,000; payments up thru December 31, 2012 were \$1,492,159,000 resulting in total remaining commitments of \$106,654,000 as of December 31, 2012.

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 the 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):

	December 31, 2012	Cumulative Prior Fiscal Year
State debt repayment	\$ -	\$ 29,800
Asset purchases	-	252,300
Dividends	-	114,300
Direct cash transfers	-	631,653
Other State appropriations	-	302,654
Legislative appropriations	2,233	327,291
Various bond proceeds disbursed	163	313,224
Total	\$ 2,396	\$ 1,971,222

NOTES TO FINANCIAL STATEMENTS

17 HOUSING GRANTS AND SUBSIDIES EXPENSES

The grant programs are funded from HUD, federal, State and Corporate proceeds. The Corporation paid grants to third parties for the following programs (in thousands):

	December 31, 2012
▪ ARRA State Energy Program	\$ 1,638
▪ ARRA Weatherization Assistance Program	541
▪ Beneficiaries and Special Needs Housing	542
▪ Drug Elimination	(10)
▪ Energy Efficiency Conservation Block Grant	3,868
▪ Energy Efficiency Monitoring Research	546
▪ Energy Efficient Home Program	8,761
▪ HOME Investment Partnership	2,698
▪ Homeless Assistance Program	3,531
▪ Homeless Information Management System	21
▪ Housing Loan Program	1,941
▪ Housing Opportunities for Persons with AIDS	228
▪ Low Income Weatherization Assistance	27,835
▪ Neighborhood Stabilization	253
▪ Non-Elderly Disabled (NED)	120
▪ Parolees (TBRA)	65
▪ Resident Opportunity and Support Service	26
▪ Section 8 Vouchers	15,012
▪ Section 8 Rehabilitaton	195
▪ Senior Citizen Housing Development Grant	2,210
▪ Shelter Plus Care	403
▪ Supplemental Housing Grant	4,785
▪ Supportive Housing Grant Match	512
▪ Technical Assistance Grant	81
▪ Veterans Affairs Supportive Housing	420
Total Expenses for the Grant Programs	<u>76,222</u>
Utility Allowance Payments for Low Rent	<u>106</u>
Total Expenses for Other Funds or Programs	<u>106</u>
Total Housing Grants and Subsidies Expenses	<u>\$ 76,328</u>

In addition to grant payments made, the Corporation has advanced grant funds of \$9,987,000 and committed to third parties a sum of \$109,261,000 in grant awards at December 31, 2012.

18 OTHER FUNDS OR PROGRAMS

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

Other Funds and 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

Affordable Housing Programs consist of Corporate owned low-income housing facilities at various locations.

- Project Based Section 8

Home Ownership Fund includes the following program that provided assistance to borrowers for monthly mortgage payments. No borrowers are currently receiving assistance:

- Homeowner Assistance Program

NOTES TO FINANCIAL STATEMENTS

19 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 2011 and 2012 Legislature authorized additional funding for the Weatherization program of \$62,500,000 and \$30,000,000 respectively and for the Energy Rebate Program of \$37,500,000 and \$20,000,000 respectively.

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 December 31, 2012 the Corporation had outstanding commitments of \$43,883,000 and had paid out \$140,000,000 in the rebate program to homeowners since the inception of the program. The \$43,883,000 commitment amount represents the maximum amount each homeowner could be reimbursed, not necessarily the actual amount of each homeowner's reimbursement.

20 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS

Plan Description

As of December 31, 2012, 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 between July 1, 1986 and 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 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 between July 1, 1996 and June 30, 2006 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.

NOTES TO FINANCIAL STATEMENTS

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 6¼% 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 2013, 9.67% of covered salary is for the pension plan and 12.33% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 35.84% for the fiscal year 2013 and the employer rate of 22% will be funded by the State.

The State contribution to the pension plan for the Corporation for the six months ended December 31, 2012 was \$671,000.

The Corporation's contributions to the pension plan for the six months ended December 31, 2012 was \$863,000 and for the years ended June 30, 2012 and June 30, 2011 was \$1,813,000 and \$1,403,000 respectively.

The State contribution to the post employment healthcare plan for the Corporation for the six months ended December 31, 2012 was \$857,000.

The Corporation's contributions to the post employment healthcare plan for the six months ended December 31, 2012 was \$1,100,000 and for the years ended June 30, 2012 and June 30, 2011 was \$2,208,000 and \$2,636,000 respectively.

Defined Contribution Plans

Under State law, covered employees are required to contribute 8% of their annual covered salary. For the fiscal year 2013, the Corporation is required to contribute 5.14% 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 2013, the Corporation is required to contribute 0.48% of the annual covered salary plus an annual flat dollar amount of \$1,848.43 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 than 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 six months ended December 31, 2012, the Corporation paid additional contributions of \$275,000.

The contributions to the pension plan for the six months ended December 31, 2012 by the employees was \$169,000 and by the Corporation was \$108,000.

The Corporation contributed \$82,000 to a health reimbursement arrangement for the six months ended December 31, 2012.

NOTES TO FINANCIAL STATEMENTS

21 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 \$175,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of \$2,219,000 and \$2,639,000 as of December 31, 2012 and June 30, 2012, 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.

22 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.

NOTES TO FINANCIAL STATEMENTS

23 FIVE YEAR FINANCIAL INFORMATION

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

	June 30,				
	2012	2011	2010	2009	2008
Assets and Deferred Outflows					
Cash	\$ 64,631	\$ 73,411	\$ 59,218	\$ 24,720	\$ 19,034
Investments	1,231,890	1,362,107	1,389,605	1,247,669	1,231,404
Accrued interest receivable	12,423	13,305	14,647	15,854	16,734
Mortgage loans, notes and other loans	2,525,004	2,759,511	2,971,253	3,195,444	3,450,063
Net investment in direct financing lease	53,192	57,476	61,222	64,802	65,203
Unamortized bond issuance costs	14,110	16,880	19,751	23,252	25,142
Capital assets, net	125,366	121,968	112,759	113,004	116,535
Other assets	46,275	36,446	40,463	46,680	22,004
Derivative instrument - interest rate swaps	-	-	-	-	-
Deferred outflow of resources	215,757	100,936	127,899	-	-
Total Assets and Deferred Outflows	4,288,648	4,542,040	4,796,817	4,731,425	4,946,119
Liabilities and Deferred Inflows					
Bonds and notes payable	2,407,864	2,721,113	2,832,647	2,869,153	3,136,866
Short term debt	68,685	86,976	149,890	149,724	112,159
Accrued interest payable	11,323	12,688	12,770	13,715	15,303
Other liabilities	27,153	24,549	47,252	26,722	15,620
Derivative instrument - interest rate swaps	219,480	102,895	130,267	-	-
Deferred inflow of resources	-	-	-	-	-
Total Liabilities and Deferred Inflows	2,734,505	2,948,221	3,172,826	3,059,314	3,279,948
Total Fund Equity	\$ 1,554,143	\$ 1,593,819	\$ 1,623,991	\$ 1,672,111 *	\$ 1,666,171
	June 30,				
	2012	2011	2010	2009	2008
Operating Revenues					
Mortgage and loans revenue	\$ 147,078	\$ 164,242	\$ 177,855	\$ 205,138	\$ 202,851
Investment interest	6,793	8,454	11,605	25,148	56,667
Net change in fair value of investments	7,667	7,766	6,317	570	255
Net change of hedge termination	(1,765)	410	(794)	-	-
Total Investment Revenue	12,695	16,630	17,128	25,718	56,922
Externally funded programs	179,704	194,411	191,968	112,587	73,603
Rental	8,554	7,996	8,697	8,577	7,695
Other	3,147	2,416	1,610	3,337	776
Total Operating Revenues	351,178	385,695	397,258	355,357	341,847
Operating Expenses					
Interest	111,558	122,138	130,789	149,021	147,336
Mortgage and loan costs	11,131	11,587	12,709	14,139	14,155
Operations and administration	57,126	54,100	49,678	51,421	42,812
Financing expenses	7,807	8,692	7,456	9,159	6,415
Provision for loan loss	(1,542)	(6,673)	515	(7,703)	7,098
Housing grants and subsidies	179,194	196,168	194,883	106,480	78,290
Rental housing operating expenses	16,373	12,594	11,002	11,480	10,428
Total Operating Expenses	381,647	398,606	407,032	333,997	306,534
Operating Income (Loss)	(30,469)	(12,911)	(9,774)	21,360	35,313
Non-Operating & Special Item					
Contribution to State or State agency	(9,207)	(20,349)	(36,772)	(15,420)	(53,614)
Special item	-	3,088	-	-	-
Change in Net Assets	\$ (39,676)	\$ (30,172)	\$ (46,546)	\$ 5,940	\$ (18,301)

*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 December 31, 2012

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds/Notes
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	32,326	-	-	-
Investments	790,887	30,739	163,431	37,275
Accrued interest receivable	1,356	1,093	3,274	817
Inter-fund due to/from	(22,538)	5,412	25,194	8,364
Mortgage loans, notes and other loans	82,590	355,390	724,513	174,918
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	1,721	2,183	690
Capital assets, non-depreciable	2,539	-	-	-
Capital assets - depreciable, net	14,791	-	-	-
Other assets	12,374	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	521	-	-	-
Deferred outflow of resources	-	-	165,118	-
Total Assets and Deferred Outflows	914,846	394,355	1,083,713	222,064
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	346,317	663,572	138,620
Short term debt	81,487	-	-	-
Accrued interest payable	1,614	816	2,213	550
Other liabilities	9,656	97	239	63
Derivative instrument - interest rate swaps	-	-	165,118	-
Intergovernmental payable	139	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	92,896	347,230	831,142	139,233
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	17,330	-	-	-
Restricted by bond resolutions	-	47,125	252,571	82,831
Restricted by contractual or statutory agreements	118,159	-	-	-
Unrestricted net assets, (deficit)	686,461	-	-	-
Total Net Assets (deficit)	821,950	47,125	252,571	82,831

Schedule 1

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
-	99	26,897	59,322
214,366	95,620	-	1,332,318
2,293	2,785	-	11,618
9,638	16,110	(42,180)	-
504,644	552,851	-	2,394,906
-	50,092	-	50,092
4,000	4,027	-	12,621
-	-	15,544	18,083
-	-	92,079	106,870
-	13	17,398	29,785
-	-	-	-
-	-	7,523	8,044
24,107	9,313	-	198,538
759,048	730,910	117,261	4,222,197
486,057	747,497	-	2,382,063
-	-	-	81,487
1,459	4,016	-	10,668
320	717	1,645	12,737
24,107	12,903	-	202,128
-	99	-	238
-	-	-	-
511,943	765,232	1,645	2,689,321
-	-	107,623	124,953
219,332	-	-	601,859
27,773	-	38,438	184,370
-	(34,322)	(30,445)	621,694
247,105	(34,322)	115,616	1,532,876

ALASKA HOUSING FINANCE CORPORATION

Schedule 2

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS**REVOLVING FUNDS**

As of December 31, 2012

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Cash	31,951	375	32,326
Investments	779,757	11,130	790,887
Accrued interest receivable	1,356	-	1,356
Inter-fund due to/from	(22,538)	-	(22,538)
Mortgage loans, notes and other loans	82,590	-	82,590
Net investment in direct financing lease	-	-	-
Unamortized bond issuance costs	-	-	-
Capital assets - non-depreciable	2,539	-	2,539
Capital assets - depreciable, net	14,791	-	14,791
Other assets	12,374	-	12,374
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	521	-	521
Deferred outflow of resources	-	-	-
Total Assets and Deferred Outflows	903,341	11,505	914,846
<u>LIABILITIES AND DEFERRED INFLOWS</u>			
Bonds and notes payable	-	-	-
Short term debt	81,487	-	81,487
Accrued interest payable	1,614	-	1,614
Other liabilities	9,656	-	9,656
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	139	-	139
Deferred inflow of resources	-	-	-
Total Liabilities & Deferred Inflows	92,896	-	92,896
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	17,330	-	17,330
Restricted by bond resolutions	-	-	-
Restricted by contractual or statutory agreements	106,654	11,505	118,159
Unrestricted net assets, (deficit)	686,461	-	686,461
Total Net Assets (deficit)	810,445	11,505	821,950

ALASKA HOUSING FINANCE CORPORATION

Schedule 3

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

FIRST TIME HOMEBUYERS PROGRAM

MORTGAGE REVENUE BONDS

As of December 31, 2012

(in thousands of dollars)

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Cash	-	-	-
Investments	13,825	16,914	30,739
Accrued interest receivable	393	700	1,093
Inter-fund due to/from	2,502	2,910	5,412
Mortgage loans, notes and other loans	128,940	226,450	355,390
Net investment in direct financing lease	-	-	-
Unamortized bond issuance costs	784	937	1,721
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	146,444	247,911	394,355
<u>LIABILITIES AND DEFERRED INFLOWS</u>			
Bonds and notes payable	135,807	210,510	346,317
Short term debt	-	-	-
Accrued interest payable	375	441	816
Other liabilities	34	63	97
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	-	-	-
Deferred inflow of resources	-	-	-
Total Liabilities & Deferred Inflows	136,216	211,014	347,230
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	-	-
Restricted by bond resolutions	10,228	36,897	47,125
Restricted by contractual or statutory agreements	-	-	-
Unrestricted net assets, (deficit)	-	-	-
Total Net Assets (deficit)	10,228	36,897	47,125

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 December 31, 2012

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	59,894	3,807	-	-
Accrued interest receivable	585	208	-	-
Inter-fund due to/from	2,743	1,818	-	-
Mortgage loans, notes and other loans	112,788	34,464	-	-
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	624	269	-	-
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	14,793	-	-	-
Total Assets and Deferred Outflows	191,427	40,566	-	-
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	132,362	35,368	-	-
Short term debt	-	-	-	-
Accrued interest payable	402	140	-	-
Other liabilities	43	15	-	-
Derivative instrument - interest rate swaps	14,793	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	147,600	35,523	-	-
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	43,827	5,043	-	-
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	43,827	5,043	-	-

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
-	-	-	-	-	-	-
11,550	12,427	-	16,227	-	-	24,657
329	342	-	439	-	-	381
3,034	2,585	-	3,539	-	-	3,124
74,738	72,147	-	94,976	-	-	97,492
-	-	-	-	-	-	-
187	117	-	160	-	-	216
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
23,165	23,144	-	27,300	-	-	25,715
113,003	110,762	-	142,641	-	-	151,585
73,361	73,361	-	87,361	-	-	79,602
-	-	-	-	-	-	-
253	253	-	299	-	-	238
26	25	-	33	-	-	28
23,165	23,144	-	27,300	-	-	25,715
-	-	-	-	-	-	-
-	-	-	-	-	-	-
96,805	96,783	-	114,993	-	-	105,583
16,198	13,979	-	27,648	-	-	46,002
-	-	-	-	-	-	-
-	-	-	-	-	-	-
16,198	13,979	-	27,648	-	-	46,002

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 December 31, 2012

(in thousands of dollars)

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	20,700	6,074	8,095	163,431
Accrued interest receivable	442	249	299	3,274
Inter-fund due to/from	4,081	1,729	2,541	25,194
Mortgage loans, notes and other loans	107,762	57,519	72,627	724,513
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	201	181	228	2,183
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	25,666	-	25,335	165,118
Total Assets and Deferred Outflows	158,852	65,752	109,125	1,083,713
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	79,602	22,915	79,640	663,572
Short term debt	-	-	-	-
Accrued interest payable	238	73	317	2,213
Other liabilities	30	19	20	239
Derivative instrument - interest rate swaps	25,666	-	25,335	165,118
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	105,536	23,007	105,312	831,142
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	53,316	42,745	3,813	252,571
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	53,316	42,745	3,813	252,571

ALASKA HOUSING FINANCE CORPORATION

Schedule 5

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

As of December 31, 2012

(in thousands of dollars)

	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	-	30,676	6,599	37,275
Accrued interest receivable	-	616	201	817
Inter-fund due to/from	-	5,643	2,721	8,364
Mortgage loans, notes and other loans	-	134,958	39,960	174,918
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	408	282	690
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	-	172,301	49,763	222,064
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	106,325	32,295	138,620
Short term debt	-	-	-	-
Accrued interest payable	-	416	134	550
Other liabilities	-	48	15	63
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	-	106,789	32,444	139,233
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	65,512	17,319	82,831
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	-	65,512	17,319	82,831

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER HOUSING BONDS

As of December 31, 2012

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	General Mortgage Revenue Bonds II 2012 A & B
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	19,160	19,246	-	35,874
Accrued interest receivable	35	838	-	538
Inter-fund due to/from	589	2,565	-	3,215
Mortgage loans, notes and other loans	7,991	157,955	-	222,956
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	1,593	-	1,300
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	27,775	182,197	-	263,883
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	157,645	-	194,732
Short term debt	-	-	-	-
Accrued interest payable	-	681	-	417
Other liabilities	2	30	-	49
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	2	158,356	-	195,198
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	23,841	-	68,685
Restricted by contractual or statutory agreements	27,773	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	27,773	23,841	-	68,685

Schedule 6

Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
-	-	-
6,010	134,076	214,366
119	763	2,293
-	3,269	9,638
15,497	100,245	504,644
-	-	-
111	996	4,000
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	24,107	24,107
21,737	263,456	759,048
14,600	119,080	486,057
-	-	-
2	359	1,459
8	231	320
-	24,107	24,107
-	-	-
-	-	-
14,610	143,777	511,943
-	-	-
7,127	119,679	219,332
-	-	27,773
-	-	-
7,127	119,679	247,105

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

NON-HOUSING BONDS

As of December 31, 2012

(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
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	68	-
Investments	10,816	25,426	16,729	7,951
Accrued interest receivable	199	325	119	399
Inter-fund due to/from	1,743	2,503	566	1,969
Mortgage loans, notes and other loans	44,942	67,084	31,922	81,554
Net investment in direct financing lease	-	-	36,177	-
Unamortized bond issuance costs	366	533	489	567
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	13	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	9,313	-	-	-
Total Assets and Deferred Outflows	67,379	95,884	86,070	92,440
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	57,955	92,064	80,996	88,755
Short term debt	-	-	-	-
Accrued interest payable	1,484	345	323	354
Other liabilities	203	33	11	29
Derivative instrument - interest rate swaps	12,903	-	-	-
Intergovernmental payable	-	-	68	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	72,545	92,442	81,398	89,138
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	(5,166)	3,442	4,672	3,302
Total Net Assets (deficit)	(5,166)	3,442	4,672	3,302

Schedule 7

State Capital Project Bonds II 2012 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
-	-	31	99
2,652	24,098	7,948	95,620
459	846	438	2,785
5,034	2,343	1,952	16,110
103,746	121,944	101,659	552,851
-	-	13,915	50,092
757	935	380	4,027
-	-	-	-
-	-	-	-
-	-	-	13
-	-	-	-
-	-	-	-
-	-	-	9,313
112,648	150,166	126,323	730,910
159,730	138,620	129,377	747,497
-	-	-	-
357	577	576	4,016
26	41	374	717
-	-	-	12,903
-	-	31	99
-	-	-	-
160,113	139,238	130,358	765,232
-	-	-	-
-	-	-	-
-	-	-	-
(47,465)	10,928	(4,035)	(34,322)
(47,465)	10,928	(4,035)	(34,322)

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER PROGRAM FUNDS

As of December 31, 2012

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Programs
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	1,564	13,013	8,156	4,075
Investments	-	-	-	-
Accrued interest receivable	-	-	-	-
Inter-fund due to/from	(21,229)	(830)	(880)	(1,605)
Mortgage loans, notes and other loans	-	-	-	-
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	-	-
Capital assets - non-depreciable	152	13,721	1,671	-
Capital assets - depreciable, net	3	71,186	20,836	54
Other assets	5,011	1,166	154	741
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	5,793	-	-	-
Deferred outflow of resources	-	-	-	-
Total Assets and Deferred Outflows	(8,706)	98,256	29,937	3,265
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	-	-	-
Short term debt	-	-	-	-
Accrued interest payable	-	-	-	-
Other liabilities	136	1,187	302	259
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	136	1,187	302	259
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	155	84,907	22,507	54
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	3,351	12,299	7,728	5,610
Unrestricted net assets, (deficit)	(12,348)	(137)	(600)	(2,658)
Total Net Assets (deficit)	(8,842)	97,069	29,635	3,006

Schedule 8

Other Grants	Combined Total
89	26,897
-	-
-	-
(17,636)	(42,180)
-	-
-	-
-	-
-	15,544
-	92,079
10,326	17,398
-	-
1,730	7,523
-	-
(5,491)	117,261
-	-
-	-
-	-
(239)	1,645
-	-
-	-
-	-
(239)	1,645
-	107,623
-	-
9,450	38,438
(14,702)	(30,445)
(5,252)	115,616

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 Six Months Ended December 31, 2012

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds/Notes
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	2,172	7,943	20,564	5,679
Investment interest	167	94	292	69
Net change in the fair value of investments	2,176	(2)	(2)	(1)
Net change of hedge termination	-	-	-	-
Total Investment Revenue	2,343	92	290	68
Externally funded program	-	-	-	-
Rental	53	-	-	-
Other	1,570	-	-	-
Total Operating Revenues	6,138	8,035	20,854	5,747
<u>OPERATING EXPENSES</u>				
Interest	39	5,018	13,847	3,735
Mortgage and loan costs	510	707	1,530	446
Financing expenses	303	110	2,582	219
Provision for loan loss	4,655	326	(2,991)	(1,334)
Operations and administration	10,930	293	614	152
Rental housing operating expenses	148	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	16,585	6,454	15,582	3,218
Operating Income (Loss)	(10,447)	1,581	5,272	2,529
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	(2,233)	-	-	-
Special Items	-	-	-	-
Transfers - Internal	23,232	2,015	25,292	(4,517)
Change in Net Assets	10,552	3,596	30,564	(1,988)
Net assets at beginning of year	811,398	43,529	222,007	84,819
Net Assets at End of Period	821,950	47,125	252,571	82,831

Schedule 9

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
14,566	13,675	-	64,599
1,402	2,151	6	4,181
16	(30)	-	2,157
-	133	-	133
1,418	2,254	6	6,471
-	-	74,254	74,254
-	-	4,239	4,292
-	-	549	2,119
15,984	15,929	79,048	151,735
11,462	14,949	-	49,050
840	1,056	-	5,089
1,220	1,175	-	5,609
(851)	363	-	168
441	413	15,132	27,975
-	-	6,239	6,387
-	-	76,328	76,328
13,112	17,956	97,699	170,606
2,872	(2,027)	(18,651)	(18,871)
-	(163)	-	(2,396)
-	-	-	-
(10,802)	(47,469)	12,249	-
(7,930)	(49,659)	(6,402)	(21,267)
255,035	15,337	122,018	1,554,143
247,105	(34,322)	115,616	1,532,876

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 Six Months Ended December 31, 2012

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>OPERATING REVENUES</u>			
Mortgage and loans revenue	2,172	-	2,172
Investment interest	151	16	167
Net change in the fair value of investments	2,176	-	2,176
Net change of hedge termination	-	-	-
Total Investment Revenue	2,327	16	2,343
Externally funded program	-	-	-
Rental	53	-	53
Other	1,568	2	1,570
Total Operating Revenues	6,120	18	6,138
<u>OPERATING EXPENSES</u>			
Interest	39	-	39
Mortgage and loan costs	510	-	510
Financing expenses	303	-	303
Provision for loan loss	4,655	-	4,655
Operations and administration	10,930	-	10,930
Rental housing operating expenses	148	-	148
Housing grants and subsidies	-	-	-
Total Operating Expenses	16,585	-	16,585
Operating Income (Loss)	(10,465)	18	(10,447)
<u>NONOPERATING EXPENSES,</u>			
<u>SPECIAL ITEMS & TRANSFERS</u>			
Contributions to the State of Alaska or other State agencies	(2,233)	-	(2,233)
Special Items	-	-	-
Transfers - Internal	23,232	-	23,232
Change in Net Assets	10,534	18	10,552
Net assets at beginning of year	799,911	11,487	811,398
Net Assets at End of Period	810,445	11,505	821,950

ALASKA HOUSING FINANCE CORPORATION

Schedule 11

(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 Six Months Ended December 31, 2012

(in thousands of dollars)

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
<u>OPERATING REVENUES</u>			
Mortgage and loans revenue	3,099	4,844	7,943
Investment interest	26	68	94
Net change in the fair value of investments	-	(2)	(2)
Net change of hedge termination	-	-	-
Total Investment Revenue	26	66	92
Externally funded program	-	-	-
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	3,125	4,910	8,035
<u>OPERATING EXPENSES</u>			
Interest	2,271	2,747	5,018
Mortgage and loan costs	268	439	707
Financing expenses	30	80	110
Provision for loan loss	43	283	326
Operations and administration	107	186	293
Rental housing operating expenses	-	-	-
Housing grants and subsidies	-	-	-
Total Operating Expenses	2,719	3,735	6,454
Operating Income (Loss)	406	1,175	1,581
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>			
Contributions to the State of Alaska or other State agencies	-	-	-
Special Items	-	-	-
Transfers - Internal	71	1,944	2,015
Change in Net Assets	477	3,119	3,596
Net assets at beginning of year	9,751	33,778	43,529
Net Assets at End of Period	10,228	36,897	47,125

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 Six Months Ended December 31, 2012

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	3,664	1,051	610	602
Investment interest	97	11	4	4
Net change in the fair value of investments	(2)	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	95	11	4	4
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	3,759	1,062	614	606
<u>OPERATING EXPENSES</u>				
Interest	2,562	893	20	(214)
Mortgage and loan costs	278	74	41	38
Financing expenses	992	74	123	94
Provision for loan loss	(318)	50	164	35
Operations and administration	95	30	11	10
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	3,609	1,121	359	(37)
Operating Income (Loss)	150	(59)	255	643
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	980	38	(17,754)	(21,020)
Change in Net Assets	1,130	(21)	(17,499)	(20,377)
Net assets at beginning of year	42,697	5,064	17,499	20,377
Net Assets at End of Period	43,827	5,043	-	-

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
1,498	1,551	951	1,888	714	980	1,646
22	20	6	24	5	6	32
-	-	-	-	-	-	-
-	-	-	-	-	-	-
22	20	6	24	5	6	32
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,520	1,571	957	1,912	719	986	1,678
1,434	1,437	366	1,717	120	319	1,481
128	122	66	150	46	64	121
74	67	215	87	81	208	37
(392)	(170)	(188)	(237)	(471)	(5)	(388)
52	51	16	65	12	16	70
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,296	1,507	475	1,782	(212)	602	1,321
224	64	482	130	931	384	357
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,787	21,497	(23,832)	36,790	(27,858)	(26,849)	27,981
21,011	21,561	(23,350)	36,920	(26,927)	(26,465)	28,338
(4,813)	(7,582)	23,350	(9,272)	26,927	26,465	17,664
16,198	13,979	-	27,648	-	-	46,002

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 Six Months Ended December 31, 2012

(in thousands of dollars)

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	1,803	1,780	1,826	20,564
Investment interest	28	10	23	292
Net change in the fair value of investments	-	-	-	(2)
Net change of hedge termination	-	-	-	-
Total Investment Revenue	28	10	23	290
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	1,831	1,790	1,849	20,854
<u>OPERATING EXPENSES</u>				
Interest	1,481	738	1,493	13,847
Mortgage and loan costs	131	137	134	1,530
Financing expenses	36	164	330	2,582
Provision for loan loss	(450)	(420)	(201)	(2,991)
Operations and administration	76	49	61	614
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	1,274	668	1,817	15,582
Operating Income (Loss)	557	1,122	32	5,272
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	34,084	15,271	(14,823)	25,292
Change in Net Assets	34,641	16,393	(14,791)	30,564
Net assets at beginning of year	18,675	26,352	18,604	222,007
Net Assets at End of Period	53,316	42,745	3,813	252,571

ALASKA HOUSING FINANCE CORPORATION

Schedule 13

(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 Six Months Ended December 31, 2012

(in thousands of dollars)

	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	124	4,265	1,290	5,679
Investment interest	1	55	13	69
Net change in the fair value of investments	-	(1)	-	(1)
Net change of hedge termination	-	-	-	-
Total Investment Revenue	1	54	13	68
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	125	4,319	1,303	5,747
<u>OPERATING EXPENSES</u>				
Interest	44	2,821	870	3,735
Mortgage and loan costs	10	336	100	446
Financing expenses	10	142	67	219
Provision for loan loss	(6)	(1,174)	(154)	(1,334)
Operations and administration	2	116	34	152
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	60	2,241	917	3,218
Operating Income (Loss)	65	2,078	386	2,529
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(4,679)	126	36	(4,517)
Change in Net Assets	(4,614)	2,204	422	(1,988)
Net assets at beginning of year	4,614	63,308	16,897	84,819
Net Assets at End of Period	-	65,512	17,319	82,831

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 Six Months Ended December 31, 2012

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	General Mortgage Revenue Bonds II 2012 A & B
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	271	6,818	855	3,048
Investment interest	44	53	19	143
Net change in the fair value of investments	6	(1)	(1)	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	50	52	18	143
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	321	6,870	873	3,191
<u>OPERATING EXPENSES</u>				
Interest	-	5,525	1,174	2,379
Mortgage and loan costs	15	250	71	275
Financing expenses	-	793	81	67
Provision for loan loss	6	(896)	(1,308)	1,736
Operations and administration	7	156	-	181
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	28	5,828	18	4,638
Operating Income (Loss)	293	1,042	855	(1,447)
<u>NONOPERATING EXPENSES</u>				
<u>SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	7	(4,153)	(76,854)	70,132
Change in Net Assets	300	(3,111)	(75,999)	68,685
Net assets at beginning of year	27,473	26,952	75,999	-
Net Assets at End of Period	27,773	23,841	-	68,685

Schedule 14

Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
142	3,432	14,566
10	1,133	1,402
-	12	16
-	-	-
10	1,145	1,418
-	-	-
-	-	-
-	-	-
152	4,577	15,984
12	2,372	11,462
-	229	840
(78)	357	1,220
-	(389)	(851)
12	85	441
-	-	-
-	-	-
(54)	2,654	13,112
206	1,923	2,872
-	-	-
-	-	-
28	38	(10,802)
234	1,961	(7,930)
6,893	117,718	255,035
7,127	119,679	247,105

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 Six Months Ended December 31, 2012

(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
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	1,105	2,130	885	2,612
Investment interest	49	28	1,543	28
Net change in the fair value of investments	(5)	-	-	-
Net change of hedge termination	133	-	-	-
Total Investment Revenue	177	28	1,543	28
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	1,282	2,158	2,428	2,640
<u>OPERATING EXPENSES</u>				
Interest	1,480	2,055	1,925	1,884
Mortgage and loan costs	92	170	82	189
Financing expenses	263	69	68	108
Provision for loan loss	171	(166)	(131)	(214)
Operations and administration	34	57	27	68
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	2,040	2,185	1,971	2,035
Operating Income (Loss)	(758)	(27)	457	605
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(1,096)	32	110	(388)
Change in Net Assets	(1,854)	5	567	217
Net assets at beginning of year	(3,312)	3,437	4,105	3,085
Net Assets at End of Period	(5,166)	3,442	4,672	3,302

Schedule 15

State Capital Project Bonds II 2012 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
805	3,600	2,538	13,675
5	82	416	2,151
-	(24)	(1)	(30)
-	-	-	133
5	58	415	2,254
-	-	-	-
-	-	-	-
-	-	-	-
810	3,658	2,953	15,929
553	3,385	3,667	14,949
60	266	197	1,056
14	59	594	1,175
1,346	(952)	309	363
46	104	77	413
-	-	-	-
-	-	-	-
2,019	2,862	4,844	17,956
(1,209)	796	(1,891)	(2,027)
-	(163)	-	(163)
-	-	-	-
(46,256)	164	(35)	(47,469)
(47,465)	797	(1,926)	(49,659)
-	10,131	(2,109)	15,337
(47,465)	10,928	(4,035)	(34,322)

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 Six Months Ended December 31, 2012

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Programs
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	-	-	-	-
Investment interest	1	1	-	4
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	1	1	-	4
Externally funded program	35,980	4,858	1,092	17,809
Rental	-	3,138	1,091	10
Other	1	2	-	50
Total Operating Revenues	35,982	7,999	2,183	17,873
<u>OPERATING EXPENSES</u>				
Interest	-	-	-	-
Mortgage and loan costs	-	-	-	-
Financing expenses	-	-	-	-
Provision for loan loss	-	-	-	-
Operations and administration	2,951	6,610	1,478	2,316
Rental housing operating expenses	176	4,843	1,159	61
Housing grants and subsidies	43,190	106	-	15,811
Total Operating Expenses	46,317	11,559	2,637	18,188
Operating Income (Loss)	(10,335)	(3,560)	(454)	(315)
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	1,089	1,808	1,101	(1)
Change in Net Assets	(9,246)	(1,752)	647	(316)
Net assets at beginning of year	404	98,821	28,988	3,322
Net Assets at End of Period	(8,842)	97,069	29,635	3,006

Schedule 16

Other Grants	Combined Total
-	-
-	6
-	-
-	-
-	6
14,515	74,254
-	4,239
496	549
15,011	79,048
-	-
-	-
-	-
-	-
1,777	15,132
-	6,239
17,221	76,328
18,998	97,699
(3,987)	(18,651)
-	-
-	-
8,252	12,249
4,265	(6,402)
(9,517)	122,018
(5,252)	115,616

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

COMBINED - ALL FUNDS

For the Six Months Ended December 31, 2012

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds and Notes
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	596	7,273	18,961	5,280
Principal payments received on mortgages and loans	1,153	25,588	137,609	45,442
Purchases of mortgages and loans	(216,341)	-	-	-
Receipt (payment) for loan transfers between funds	201,675	(29,953)	3,105	766
Payments to employees and other payroll disbursements	(11,001)	-	-	-
Payments for goods and services	(8,013)	-	-	-
Cash received for externally funded programs	3,755	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund Receipts	475,012	32,922	156,080	53,263
Interfund Payments	(480,260)	(33,386)	(159,029)	(51,508)
Grant payments to other agencies	(12,025)	-	-	-
Other operating cash receipts	17,882	-	-	-
Other operating cash payments	(8,812)	-	-	-
Net cash provided by (used for) operating activities	(36,379)	2,444	156,726	53,243
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	(12,830)	(123,345)	(41,470)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(2,084)	-	-	-
Interest paid	(39)	(5,034)	(14,583)	(3,898)
Proceeds from issuance of short term debt	212,863	-	-	-
Payment of short term debt	(200,061)	-	-	-
Contributions to the State of Alaska or other State agencies	(2,141)	-	-	-
Transfers (to) from other funds	55,530	(1,579)	23,931	822
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	64,068	(19,443)	(113,997)	(44,546)
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(3,429)	-	-	-
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	(51)	-	-	-
Net cash provided by (used for) capital financing activities	(3,480)	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(2,823,486)	(141,120)	(541,383)	(134,524)
Proceeds from maturity of investments	2,795,421	158,018	498,364	125,758
Interest received from investments	173	101	290	69
Net cash provided by (used for) investing activities	(27,892)	16,999	(42,729)	(8,697)
Net Increase (decrease) in cash	(3,683)	-	-	-
Cash at the beginning of year	36,009	-	-	-
Cash at the end of period	32,326	-	-	-
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u>				
Operating income (loss)	(10,447)	1,581	5,272	2,529
<u>Adjustments:</u>				
Depreciation expense	424	-	-	-
Provision for loan losses	4,655	326	(2,991)	(1,334)
Amortization of bond issuance costs	-	91	480	196
Net change in the fair value of investments	(2,176)	2	2	1
Transfers between funds for operating activity	(15,887)	399	2,193	139
Interest received from investments	(173)	(101)	(290)	(69)
Interest paid	39	5,034	14,583	3,898
<u>Changes in assets and liabilities:</u>				
Net increase (decrease) in mortgages and loans	(13,513)	(4,365)	140,714	46,208
Net increase (decrease) in assets and liabilities	699	(523)	(3,237)	1,675
Net cash provided by (used for) operating activities	(36,379)	2,444	156,726	53,243

Schedule 17

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
13,517	12,886	-	58,513
55,484	73,475	-	338,751
-	-	-	(216,341)
(81,847)	(93,746)	-	-
-	-	(7,803)	(18,804)
-	-	(6,955)	(14,968)
-	-	66,662	70,417
-	-	15,753	15,753
-	-	(16,044)	(16,044)
72,165	86,504	77,946	953,892
(69,332)	(87,878)	(72,499)	(953,892)
-	-	(60,408)	(72,433)
-	99	5,449	23,430
-	(217)	(3,331)	(12,360)
(10,013)	(8,877)	(1,230)	155,914
196,414	162,404	-	358,818
(181,065)	(20,592)	-	(379,302)
-	-	-	-
-	-	-	(2,084)
(11,625)	(13,852)	-	(49,031)
-	-	-	212,863
-	-	-	(200,061)
-	(163)	-	(2,304)
32,053	(110,757)	-	-
-	-	-	-
35,777	17,040	-	(61,101)
-	-	(284)	(3,713)
-	-	1	1
-	-	-	-
-	(3,773)	-	(3,773)
-	-	-	-
-	(1,669)	-	(1,669)
-	5,038	-	5,038
-	-	-	(51)
-	(404)	(283)	(4,167)
(583,918)	(363,158)	-	(4,587,589)
556,746	355,007	-	4,489,314
1,408	274	5	2,320
(25,764)	(7,877)	5	(95,955)
-	(118)	(1,508)	(5,309)
-	217	28,405	64,631
-	99	26,897	59,322
2,872	(2,027)	(18,651)	(18,871)
-	-	3,353	3,777
(851)	363	-	168
877	771	-	2,415
(16)	30	-	(2,157)
519	1,552	11,085	-
(1,408)	(274)	(5)	(2,320)
11,625	15,521	-	50,700
(26,363)	(20,271)	-	122,410
2,732	(4,542)	2,988	(208)
(10,013)	(8,877)	(1,230)	155,914

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

Schedule 18**STATEMENT OF CASH FLOWS****REVOLVING FUNDS**

For the Six Months Ended December 31, 2012

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	596	-	596
Principal payments received on mortgages and loans	1,153	-	1,153
Purchases of mortgages and loans	(216,341)	-	(216,341)
Receipt (payment) for loan transfers between funds	201,675	-	201,675
Payments to employees and other payroll disbursements	(11,001)	-	(11,001)
Payments for goods and services	(8,013)	-	(8,013)
Cash received for externally funded programs	3,755	-	3,755
Cash received for Federal HAP subsidies	-	-	-
Payments for Federal HAP subsidies	-	-	-
Interfund Receipts	475,012	-	475,012
Interfund Payments	(480,260)	-	(480,260)
Grant payments to other agencies	(12,025)	-	(12,025)
Other operating cash receipts	17,880	2	17,882
Other operating cash payments	(8,812)	-	(8,812)
Net cash provided by (used for) operating activities	(36,381)	2	(36,379)
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	-	-	-
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(2,084)	-	(2,084)
Interest paid	(39)	-	(39)
Proceeds from issuance of short term debt	212,863	-	212,863
Payment of short term debt	(200,061)	-	(200,061)
Contributions to the State of Alaska or other State agencies	(2,141)	-	(2,141)
Transfers (to) from other funds	55,530	-	55,530
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	64,068	-	64,068
<u>Cash flows from capital financing activities:</u>			
Acquisition of capital assets	(3,429)	-	(3,429)
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	(51)	-	(51)
Net cash provided by (used for) capital financing activities	(3,480)	-	(3,480)
<u>Cash flows from investing activities:</u>			
Purchase of investments	(2,740,996)	(82,490)	(2,823,486)
Proceeds from maturity of investments	2,712,947	82,474	2,795,421
Interest received from investments	157	16	173
Net cash provided by (used for) investing activities	(27,892)	-	(27,892)
Net Increase (decrease) in cash	(3,685)	2	(3,683)
Cash at the beginning of year	35,636	373	36,009
Cash at the end of period	31,951	375	32,326
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	(10,465)	18	(10,447)
Adjustments:			
Depreciation expense	424	-	424
Provision for loan losses	4,655	-	4,655
Amortization of bond issuance costs	-	-	-
Net change in the fair value of investments	(2,176)	-	(2,176)
Transfers between funds for operating activity	(15,887)	-	(15,887)
Interest received from investments	(157)	(16)	(173)
Interest paid	39	-	39
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	(13,513)	-	(13,513)
Net increase (decrease) in assets and liabilities	699	-	699
Net cash provided by (used for) operating activities	(36,381)	2	(36,379)

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 Six Months Ended December 31, 2012

(in thousands of dollars)

Schedule 19

	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B	Mortgage Revenue Bonds Combined Total
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	2,806	4,467	7,273
Principal payments received on mortgages and loans	9,639	15,949	25,588
Purchases of mortgages and loans	-	-	-
Receipt (payment) for loan transfers between funds	357	(30,310)	(29,953)
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	11,491	21,431	32,922
Interfund Payments	(12,660)	(20,726)	(33,386)
Grant payments to other agencies	-	-	-
Other operating cash receipts	-	-	-
Other operating cash payments	-	-	-
Net cash provided by (used for) operating activities	11,633	(9,189)	2,444
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	(2,050)	(10,780)	(12,830)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	-	-	-
Interest paid	(2,267)	(2,767)	(5,034)
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	(579)	(1,000)	(1,579)
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	(4,896)	(14,547)	(19,443)
<u>Cash flows from capital financing activities:</u>			
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	-	-	-
<u>Cash flows from investing activities:</u>			
Purchase of investments	(39,516)	(101,604)	(141,120)
Proceeds from maturity of investments	32,753	125,265	158,018
Interest received from investments	26	75	101
Net cash provided by (used for) investing activities	(6,737)	23,736	16,999
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)	406	1,175	1,581
Adjustments:			
Depreciation expense	-	-	-
Provision for loan losses	43	283	326
Amortization of bond issuance costs	26	65	91
Net change in the fair value of investments	-	2	2
Transfers between funds for operating activity	116	283	399
Interest received from investments	(26)	(75)	(101)
Interest paid	2,267	2,767	5,034
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	9,996	(14,361)	(4,365)
Net increase (decrease) in assets and liabilities	(1,195)	672	(523)
Net cash provided by (used for) operating activities	11,633	(9,189)	2,444

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 Six Months Ended December 31, 2012

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	3,420	924	534	552
Principal payments received on mortgages and loans	17,095	7,854	2,820	4,329
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	289	279	212	244
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	21,600	8,689	3,579	5,283
Interfund Payments	(20,837)	(8,941)	(3,360)	(4,889)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	21,567	8,805	3,785	5,519
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(1,500)	(7,745)	(15,450)	(12,085)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(2,364)	(984)	(269)	(220)
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	-	-	10,051	4,234
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(3,864)	(8,729)	(5,668)	(8,071)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(106,934)	(16,996)	(10,719)	(10,120)
Proceeds from maturity of investments	89,135	16,909	12,597	12,668
Interest received from investments	96	11	5	4
Net cash provided by (used for) investing activities	(17,703)	(76)	1,883	2,552
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)	150	(59)	255	643
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(318)	50	164	35
Amortization of bond issuance costs	20	66	(64)	(229)
Net change in the fair value of investments	2	-	-	-
Transfers between funds for operating activity	1,066	38	(210)	(230)
Interest received from investments	(96)	(11)	(5)	(4)
Interest paid	2,364	984	269	220
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	17,384	8,133	3,032	4,573
Net increase (decrease) in assets and liabilities	995	(396)	344	511
Net cash provided by (used for) operating activities	21,567	8,805	3,785	5,519

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
1,398	1,461	881	1,774	639	897	1,529
10,644	9,289	5,743	12,706	5,305	5,605	15,702
-	-	-	-	-	-	-
211	264	184	-	507	22	20
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,712	9,721	7,343	13,060	6,993	7,678	16,741
(12,273)	(10,956)	(6,635)	(14,772)	(6,000)	(6,514)	(17,552)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,692	9,779	7,516	12,768	7,444	7,688	16,440
-	-	-	-	-	-	-
-	-	(28,100)	-	(12,555)	(26,145)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,402)	(1,407)	(475)	(1,678)	(168)	(423)	(1,459)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(7,116)	(3,675)	17,085	(4,063)	1,597	13,759	(1,596)
-	-	-	-	-	-	-
(8,518)	(5,082)	(11,490)	(5,741)	(11,126)	(12,809)	(3,055)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(39,711)	(35,800)	(35,613)	(45,252)	(14,026)	(23,824)	(68,249)
36,515	31,084	39,581	38,202	17,703	28,938	54,833
22	19	6	23	5	7	31
(3,174)	(4,697)	3,974	(7,027)	3,682	5,121	(13,385)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
224	64	482	130	931	384	357
-	-	-	-	-	-	-
(392)	(170)	(188)	(237)	(471)	(5)	(388)
3	2	215	3	82	208	4
-	-	-	-	-	-	-
345	346	(315)	472	(235)	(344)	358
(22)	(19)	(6)	(23)	(5)	(7)	(31)
1,402	1,407	475	1,678	168	423	1,459
-	-	-	-	-	-	-
10,855	9,553	5,927	12,706	5,812	5,627	15,722
(723)	(1,404)	926	(1,961)	1,162	1,402	(1,041)
11,692	9,779	7,516	12,768	7,444	7,688	16,440

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

FIRST TIME HOME BUYERS PROGRAM

HOME MORTGAGE REVENUE BONDS

For the Six Months Ended December 31, 2012

(in thousands of dollars)

Schedule 20

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	1,680	1,569	1,703	18,961
Principal payments received on mortgages and loans	19,205	7,460	13,852	137,609
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	467	280	126	3,105
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	19,466	8,227	15,988	156,080
Interfund Payments	(21,297)	(9,210)	(15,793)	(159,029)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	19,521	8,326	15,876	156,726
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	(19,765)	-	(123,345)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(1,460)	(805)	(1,469)	(14,583)
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	(6,355)	15,220	(15,210)	23,931
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(7,815)	(5,350)	(16,679)	(113,997)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(58,099)	(38,778)	(37,262)	(541,383)
Proceeds from maturity of investments	46,365	35,792	38,042	498,364
Interest received from investments	28	10	23	290
Net cash provided by (used for) investing activities	(11,706)	(2,976)	803	(42,729)
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)	557	1,122	32	5,272
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(450)	(420)	(201)	(2,991)
Amortization of bond issuance costs	4	162	4	480
Net change in the fair value of investments	-	-	-	2
Transfers between funds for operating activity	464	51	387	2,193
Interest received from investments	(28)	(10)	(23)	(290)
Interest paid	1,460	805	1,469	14,583
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	19,672	7,740	13,978	140,714
Net increase (decrease) in assets and liabilities	(2,158)	(1,124)	230	(3,237)
Net cash provided by (used for) operating activities	19,521	8,326	15,876	156,726

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

Schedule 21**STATEMENT OF CASH FLOWS**

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Six Months Ended December 31, 2012

(in thousands of dollars)

	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series	Combined Total
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	120	3,950	1,210	5,280
Principal payments received on mortgages and loans	1,096	35,560	8,786	45,442
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	-	471	295	766
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	1,584	42,622	9,057	53,263
Interfund Payments	(1,218)	(40,145)	(10,145)	(51,508)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	1,582	42,458	9,203	53,243
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(3,220)	(31,730)	(6,520)	(41,470)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(57)	(2,944)	(897)	(3,898)
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	822	-	-	822
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(2,455)	(34,674)	(7,417)	(44,546)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(4,264)	(104,158)	(26,102)	(134,524)
Proceeds from maturity of investments	5,136	96,319	24,303	125,758
Interest received from investments	1	55	13	69
Net cash provided by (used for) investing activities	873	(7,784)	(1,786)	(8,697)
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)	65	2,078	386	2,529
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(6)	(1,174)	(154)	(1,334)
Amortization of bond issuance costs	-	132	64	196
Net change in the fair value of investments	-	1	-	1
Transfers between funds for operating activity	(23)	126	36	139
Interest received from investments	(1)	(55)	(13)	(69)
Interest paid	57	2,944	897	3,898
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	1,096	36,031	9,081	46,208
Net increase (decrease) in assets and liabilities	394	2,375	(1,094)	1,675
Net cash provided by (used for) operating activities	1,582	42,458	9,203	53,243

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

OTHER HOUSING BONDS

For the Six Months Ended December 31, 2012

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	General Mortgage Revenue Bonds II 2012 A, B
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	247	6,385	687	2,822
Principal payments received on mortgages and loans	1,398	16,724	2,907	12,860
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	-	(4,532)	2,177	(79,903)
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	1,174	26,883	6,718	12,981
Interfund Payments	(1,676)	(23,480)	(3,601)	(15,980)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	1,143	21,980	8,888	(67,220)
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	196,414
Principal paid on bonds	-	(68,180)	(110,265)	(235)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	-	(5,813)	(1,670)	(1,952)
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	-	43,390	79,935	(91,272)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	(30,603)	(32,000)	102,955
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(111,073)	(100,299)	(59,283)	(77,891)
Proceeds from maturity of investments	109,884	108,869	82,373	42,017
Interest received from investments	46	53	22	139
Net cash provided by (used for) investing activities	(1,143)	8,623	23,112	(35,735)
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)	293	1,042	855	(1,447)
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	6	(896)	(1,308)	1,736
Amortization of bond issuance costs	-	727	78	21
Net change in the fair value of investments	(6)	1	1	-
Transfers between funds for operating activity	7	(288)	(1,951)	2,438
Interest received from investments	(46)	(53)	(22)	(139)
Interest paid	-	5,813	1,670	1,952
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	1,398	12,192	5,084	(67,043)
Net increase (decrease) in assets and liabilities	(509)	3,442	4,481	(4,738)
Net cash provided by (used for) operating activities	1,143	21,980	8,888	(67,220)

Schedule 22

Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
147	3,229	13,517
603	20,992	55,484
-	-	-
-	411	(81,847)
-	-	-
-	-	-
-	-	-
-	-	-
-	24,409	72,165
-	(24,595)	(69,332)
-	-	-
-	-	-
-	-	-
750	24,446	(10,013)
-	-	196,414
-	(2,385)	(181,065)
-	-	-
-	-	-
(12)	(2,178)	(11,625)
-	-	-
-	-	-
-	-	-
-	-	32,053
-	-	-
(12)	(4,563)	35,777
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
(12,170)	(223,202)	(583,918)
11,422	202,181	556,746
10	1,138	1,408
(738)	(19,883)	(25,764)
-	-	-
-	-	-
-	-	-
-	-	-
206	1,923	2,872
-	-	-
-	(389)	(851)
4	47	877
-	(12)	(16)
28	285	519
(10)	(1,138)	(1,408)
12	2,178	11,625
603	21,403	(26,363)
(93)	149	2,732
750	24,446	(10,013)

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

NON-HOUSING BONDS

For the Six Months Ended December 31, 2012

(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
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	990	1,963	828	2,455
Principal payments received on mortgages and loans	6,375	14,279	4,807	11,881
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(10,066)	-	-	-
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	6,890	16,546	6,005	14,895
Interfund Payments	(7,508)	(16,504)	(5,720)	(14,561)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	68	-
Other operating cash payments	-	-	(143)	-
Net cash provided by (used for) operating activities	(3,319)	16,284	5,845	14,670
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(161)	-	(3,405)	(10,736)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(359)	(2,071)	(2,013)	(2,091)
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	(1,211)	-	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(1,731)	(2,071)	(5,418)	(12,827)
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	(2,134)	-	-	(1,604)
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	(1,149)	-	-	(312)
Proceeds from the direct financing lease payments	-	-	3,304	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	(3,283)	-	3,304	(1,916)
<u>Cash flows from investing activities:</u>				
Purchase of investments	(33,338)	(92,682)	(60,122)	(50,567)
Proceeds from maturity of investments	41,618	78,442	56,290	50,612
Interest received from investments	53	27	26	28
Net cash provided by (used for) investing activities	8,333	(14,213)	(3,806)	73
Net Increase (decrease) in cash	-	-	(75)	-
Cash at the beginning of year	-	-	143	-
Cash at the end of period	-	-	68	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(758)	(27)	457	605
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	171	(166)	(131)	(214)
Amortization of bond issuance costs	35	10	36	103
Net change in the fair value of investments	5	-	-	-
Transfers between funds for operating activity	115	89	59	39
Interest received from investments	(53)	(27)	(26)	(28)
Interest paid	1,508	2,071	2,013	2,403
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	(3,691)	14,279	4,807	11,881
Net increase (decrease) in assets and liabilities	(651)	55	(1,370)	(119)
Net cash provided by (used for) operating activities	(3,319)	16,284	5,845	14,670

Schedule 23

State Capital Project Bonds II 2012 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
909	3,310	2,431	12,886
6,475	14,911	14,747	73,475
-	-	-	-
(49,918)	(9,540)	(24,222)	(93,746)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,808	20,160	19,200	86,504
(7,616)	(18,538)	(17,431)	(87,878)
-	-	-	-
-	-	31	99
-	-	(74)	(217)
(47,342)	10,303	(5,318)	(8,877)
162,404	-	-	162,404
(2,340)	(555)	(3,395)	(20,592)
-	-	-	-
-	-	-	-
(530)	(3,256)	(3,532)	(13,852)
-	-	-	-
-	-	-	-
-	(163)	-	(163)
(109,546)	-	-	(110,757)
-	-	-	-
49,988	(3,974)	(6,927)	17,040
-	-	-	-
-	-	-	-
-	-	-	-
-	(35)	-	(3,773)
-	-	-	-
-	(208)	-	(1,669)
-	-	1,734	5,038
-	-	-	-
-	(243)	1,734	(404)
(3,245)	(57,047)	(66,157)	(363,158)
594	50,874	76,577	355,007
5	87	48	274
(2,646)	(6,086)	10,468	(7,877)
-	-	(43)	(118)
-	-	74	217
-	-	31	99
(1,209)	796	(1,891)	(2,027)
-	-	-	-
1,346	(952)	309	363
6	20	561	771
-	24	1	30
878	191	181	1,552
(5)	(87)	(48)	(274)
530	3,464	3,532	15,521
(43,443)	5,371	(9,475)	(20,271)
(5,445)	1,476	1,512	(4,542)
(47,342)	10,303	(5,318)	(8,877)

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

OTHER PROGRAM FUNDS

For the Six Months Ended December 31, 2012

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Programs
<u>Cash flows from operating activities:</u>				
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	(1,043)	(3,742)	(856)	(1,658)
Payments for goods and services	(1,584)	(3,994)	(785)	(215)
Cash received for externally funded programs	46,819	4,707	1,091	1,897
Cash received for Federal HAP subsidies	-	-	-	15,753
Payments for Federal HAP subsidies	-	-	-	(16,044)
Interfund Receipts	55,236	7,305	1,619	1,857
Interfund Payments	(49,150)	(6,548)	(1,592)	(2,689)
Grant payments to other agencies	(52,457)	-	-	(14)
Other operating cash receipts	4	3,398	1,097	410
Other operating cash payments	-	(4)	(1)	(89)
Net cash provided by (used for) operating activities	(2,175)	1,122	573	(792)
<u>Cash flows from noncapital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(152)	(111)	-	(21)
Proceeds from the disposal of capital assets	-	-	-	1
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	(152)	(111)	-	(20)
<u>Cash flows from investing activities:</u>				
Purchase of investments	-	-	-	-
Proceeds from maturity of investments	-	-	-	-
Interest received from investments	1	1	-	3
Net cash provided by (used for) investing activities	1	1	-	3
Net Increase (decrease) in cash	(2,326)	1,012	573	(809)
Cash at the beginning of year	3,890	12,001	7,583	4,884
Cash at the end of period	1,564	13,013	8,156	4,075
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(10,335)	(3,560)	(454)	(315)
<i>Adjustments:</i>				
Depreciation expense	2	2,749	594	8
Provision for loan losses	-	-	-	-
Amortization of bond issuance costs	-	-	-	-
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	1,089	1,071	674	(1)
Interest received from investments	(1)	(1)	-	(3)
Interest paid	-	-	-	-
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	-	-	-	-
Net increase (decrease) in assets and liabilities	7,070	863	(241)	(481)
Net cash provided by (used for) operating activities	(2,175)	1,122	573	(792)

Schedule 24

Other Grants	Combined Total
-	-
-	-
-	-
-	-
(504)	(7,803)
(377)	(6,955)
12,148	66,662
-	15,753
-	(16,044)
11,929	77,946
(12,520)	(72,499)
(7,937)	(60,408)
540	5,449
(3,237)	(3,331)
42	(1,230)

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

-	(284)
-	1
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	(283)

-	-
-	-
-	5
-	5

42	(1,508)
47	28,405
89	26,897

(3,987)	(18,651)
-	3,353
-	-
-	-
-	-
8,252	11,085
-	(5)
-	-
-	-
(4,223)	2,988
42	(1,230)

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a component unit of the State of Alaska

Financial Statements
And Independent Auditor's Report

June 30, 2012

With Summarized Financial Information for
June 30, 2011

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

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, 2012, 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 2011 financial statements and in our report dated September 26, 2011, 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 the business-type activities, each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation as of June 30, 2012, 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 27, 2012, 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.

The Board of Directors
Alaska Housing Finance Corporation:

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financials statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financials statements, and other knowledge we obtained during our audit of the basic financials statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alaska Housing Finance 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mikunda, Cottrell & Co.

Anchorage, Alaska
September 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 grouped by program or function. Summarized financial information for FY 2011 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, 2012. 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 2012, the Corporation reports the following major funds:

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012, the Administrative Fund reported net assets of \$800 million, a decrease of \$68 million from June 30, 2011. The decrease in net assets can be primarily attributed to Operating income of \$13 million, offset by internal transfers from the Administrative fund of \$73 million and contributions to the State of Alaska of \$8 million. Approximately \$16 million of the Administrative Fund's net assets are invested in capital assets net of related debt or 2%, \$96 million, or 12%, are restricted by contractual or statutory agreements and \$688 million, or 86%, are unrestricted and may be used for operations and to meet the continuing obligations of the Corporation.

The Administrative Fund reported operating income of \$13 million for FY 2012, a \$9 million decrease from FY 2011 due primarily to a decrease of \$5 million in loan revenue and an increase in total operating expenses of \$4 million.

The *Energy Programs*: resources and programs used to assist in improving the energy efficiency of Alaska homes.

The *Section 8 Vouchers Programs*: tenant-based rental assistance programs for families in the private market that are administered by the Corporation under contract with HUD.

The *Grant Programs*: resources provided to other agencies and individuals to develop and improve affordable housing units for lower income families.

The *Mortgage or Bond Funds*: resources used to assist in the financing of loan programs or to fund legislature appropriations. These funds include the First Time Homebuyer Program Bonds, Veterans Mortgage Program Bonds, Other Housing Bonds, and Non-Housing Bonds.

The *Other Funds or Programs*: AHFC owned housing for low income families that is managed under contract with HUD. These programs include the Low Rent programs and the Affordable Housing Programs.

FINANCIAL HIGHLIGHTS

- As a result of this year's operations, the Corporation's operating loss was \$30 million.
- The Corporation's assets exceeded its liabilities, as of June 30, 2012, 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, 2012, mortgage loans decreased by 9%.
- During the fiscal year ended June 30, 2012, the Corporation's total assets decreased by \$368 million and total liabilities, without derivatives, decreased by \$330 million.
- Energy capital asset improvements funded by the Energy Program using ARRA monies were completed on various AHFC owned buildings. Capital asset improvements to Administrative Fund buildings amounted to \$2 million, to Low Rent buildings was \$4 million and to Affordable Housing buildings was \$1 million.
- The Corporation has a new subsidiary, Alaska Corporation for Affordable Housing (ACAH) incorporated in February, 2012. There was no activity in the new subsidiary in fiscal year 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENT OF NET ASSETS

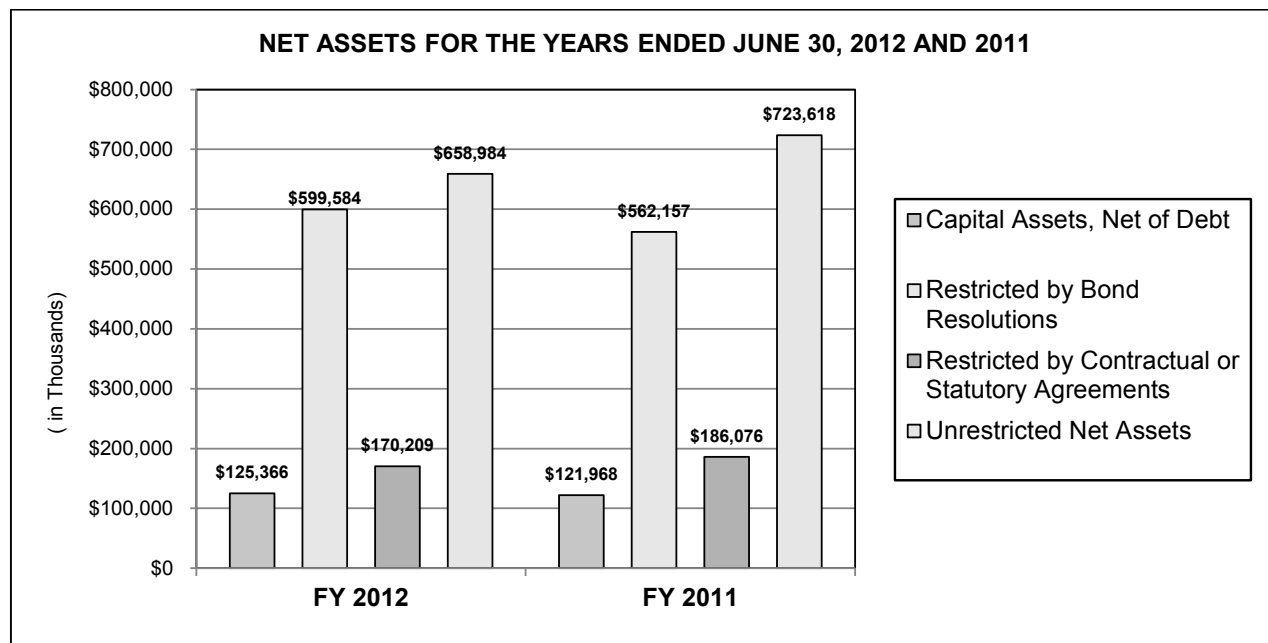
The following table presents condensed information about the financial position of the Corporation as of June 30, 2012 and 2011, and changes in the balances of selected items during the fiscal year ended June 30, 2012 (in thousands):

	2012	2011	Change Increase (Decrease)	
Investments	1,231,890	1,362,107	(130,217)	(9.6) %
Mortgage loans, notes and other loans, net	2,525,004	2,759,511	(234,507)	(8.5) %
Capital assets, net	125,366	121,968	3,398	2.8 %
Total assets, excluding deferred outflows	4,072,891	4,441,104	(368,213)	(8.3) %
Bonds and notes, net	2,407,864	2,721,113	(313,249)	(11.5) %
Short term debt	68,685	86,976	(18,291)	(21.0) %
Total liabilities, excluding derivatives	2,515,025	2,845,326	(330,301)	(11.6) %
Total net assets, net	1,554,143	1,593,819	(39,676)	(2.5) %

The decrease in total assets during FY 2012 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 2012 and FY 2011.

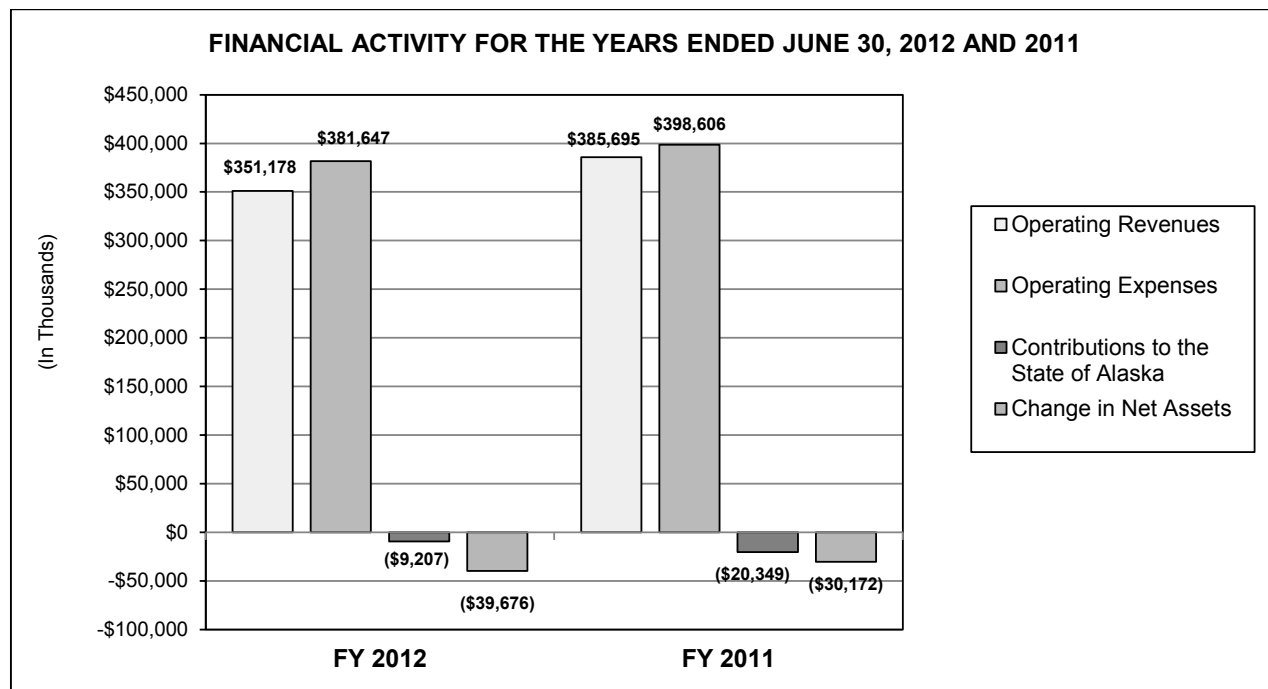


MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012 and 2011, and the variances from the prior fiscal year (in thousands):

	2012	2011	Change Increase (Decrease)	
Mortgage and loan revenue	147,078	164,242	(17,164)	(10.5) %
Investment interest income	6,793	8,454	(1,661)	(19.6) %
Net change in the fair value of investments	7,667	7,766	(99)	(1.3) %
Externally funded programs	179,704	194,411	(14,707)	(7.6) %
Total operating revenues	351,178	385,695	(34,517)	(8.9) %
Interest expense	111,558	122,138	(10,580)	(8.7) %
Operations and administration	57,126	54,100	3,026	5.6 %
Housing grants and subsidies	179,194	196,168	(16,974)	(8.7) %
Total operating expenses	381,647	398,606	(16,959)	(4.3) %
Operating loss	(30,469)	(12,911)	17,558	136.0 %
Contributions to the SOA or other State agencies	(9,207)	(20,349)	(11,142)	(54.8) %
Special item	-	3,088	(3,088)	(100.0) %
Change in net assets	(39,676)	(30,172)	9,504	31.5 %



MANAGEMENT'S DISCUSSION AND ANALYSIS

Total operating revenues decreased by \$35 million, or 9%, during FY 2012 primarily due to decreases in mortgage and loan revenue and externally funded program revenue.

Total operating expenses decreased by \$17 million, or 4% during FY 2012 primarily due to decreases in interest expense and housing grants and subsidies expense offset by increases in provision for loan loss expense, rental housing operating expense, and operations and administration expense.

The net effect of changes in operating revenues and expenses was an \$18 million or 136% increase in operating loss from FY 2011.

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 2012 were \$9 million and for FY 2011 were \$20 million. See footnote 16 for details about the Transfer Plan calculation for FY 2012.

DEBT ADMINISTRATION

As of June 30, 2012, the Corporation had \$2.4 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 \$200 million in Tax-Exempt First Time Homebuyers Bonds;
- Issued \$29 million in Taxable First Time Homebuyers Bonds;
- Redeemed bonds through surplus redemption provisions of their respective indentures in the amount of \$363 million;
- Converted \$129 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

As of June 30, 2012

(in thousands of dollars)

	Administrative Fund	Energy Programs	Section 8 Vouchers Programs
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Cash	35,636	3,890	4,884
Investments	749,532	-	-
Accrued interest receivable	1,266	-	-
Inter-fund due to/from	(28,224)	(15,142)	(1,894)
Mortgage loans, notes and other loans	94,605	-	-
Net investment in direct financing lease	-	-	-
Unamortized bond issuance costs	-	-	-
Capital assets - non-depreciable	2,539	-	-
Capital assets - depreciable, net	13,333	3	41
Other assets	11,571	11,645	644
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	407	10,379	-
Deferred outflow of resources	-	-	-
Total Assets and Deferred Outflows	880,665	10,775	3,675
<u>LIABILITIES AND DEFERRED INFLOWS</u>			
Bonds and notes payable	-	-	-
Short term debt	68,685	-	-
Accrued interest payable	1,511	-	-
Other liabilities	10,511	10,371	353
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	47	-	-
Deferred inflow of resources	-	-	-
Total Liabilities & Deferred Inflows	80,754	10,371	353
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	15,872	3	41
Restricted by bond resolutions	-	-	-
Restricted by contractual or statutory agreements	96,058	3,342	5,333
Unrestricted net assets, (deficit)	687,981	(2,941)	(2,052)
Total Net Assets	799,911	404	3,322

See accompanying notes to the financial statements.

Exhibit A

Grant Programs	Mortgage or Bond Funds	Other Funds or Programs	Total June 30, 2012
47	217	19,957	64,631
-	471,244	11,114	1,231,890
-	11,157	-	12,423
(17,900)	63,320	(160)	-
-	2,430,399	-	2,525,004
-	53,192	-	53,192
-	14,110	-	14,110
-	-	14,092	16,631
-	-	95,358	108,735
7,359	28	819	32,066
-	-	-	-
3,423	-	-	14,209
-	215,757	-	215,757
(7,071)	3,259,424	141,180	4,288,648
-	2,407,864	-	2,407,864
-	-	-	68,685
-	9,812	-	11,323
2,446	1,324	1,642	26,647
-	219,480	-	219,480
-	217	242	506
-	-	-	-
2,446	2,638,697	1,884	2,734,505
-	-	109,450	125,366
-	599,584	-	599,584
6,991	27,473	31,012	170,209
(16,508)	(6,330)	(1,166)	658,984
(9,517)	620,727	139,296	1,554,143

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2012

(in thousands of dollars)

	Administrative Fund	Energy Programs	Section 8 Vouchers Programs
<u>OPERATING REVENUES</u>			
Mortgage and loans revenue	8,896	-	-
Investment interest	410	3	9
Net change in the fair value of investments	7,710	-	-
Net change of hedge termination	-	-	-
Total Investment Revenue	8,120	3	9
Externally funded programs	-	110,626	36,117
Rental	51	-	1
Other	2,559	2	61
Total Operating Revenues	19,626	110,631	36,188
<u>OPERATING EXPENSES</u>			
Interest	130	-	-
Mortgage and loan costs	1,476	-	-
Financing expenses	623	-	-
Provision for loan loss	(2,666)	-	-
Operations and administration	2,562	5,065	4,340
Rental housing operating expenses	437	1,974	107
Housing grants and subsidies	3,268	100,385	30,479
Total Operating Expenses	5,830	107,424	34,926
Operating Income (Loss)	13,796	3,207	1,262
<u>NONOPERATING EXPENSES,</u>			
<u>SPECIAL ITEM & TRANSFERS</u>			
Contributions to the State of Alaska or other State agencies	(8,398)	-	-
Special Item	-	-	-
Transfers - Internal	(73,355)	(5,245)	(61)
Change in Net Assets	(67,957)	(2,038)	1,201
Net assets at beginning of year	867,868	2,442	2,121
Net Assets at End of Period	799,911	404	3,322

See accompanying notes to the financial statements.

Exhibit B

Grant Programs	Mortgage or Bond Funds	Other Funds or Programs	Total June 30, 2012
-	138,182	-	147,078
-	6,353	18	6,793
-	(47)	4	7,667
-	(1,765)	-	(1,765)
-	4,541	22	12,695
17,690	-	15,271	179,704
-	-	8,502	8,554
251	250	24	3,147
17,941	142,973	23,819	351,178
-	111,428	-	111,558
-	9,655	-	11,131
-	7,184	-	7,807
-	1,124	-	(1,542)
2,003	27,076	16,080	57,126
-	-	13,855	16,373
44,921	-	141	179,194
46,924	156,467	30,076	381,647
(28,983)	(13,494)	(6,257)	(30,469)
-	(809)	-	(9,207)
-	-	-	-
41,105	26,256	11,300	-
12,122	11,953	5,043	(39,676)
(21,639)	608,774	134,253	1,593,819
(9,517)	620,727	139,296	1,554,143

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

(in thousands of dollars)

	Administrative Fund	Energy Programs	Section 8 Voucher Programs
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	3,832	-	-
Principal payments received on mortgages and loans	9,375	-	-
Purchases of mortgages and loans	(425,878)	-	-
Receipt (payment) for loan transfers between funds	381,967	-	-
Payments to employees and other payroll disbursements	(23,521)	(1,606)	(3,146)
Payments for goods and services	(15,718)	(5,686)	(403)
Cash received for externally funded programs	-	108,518	3,750
Cash received for Federal HAP subsidies	-	-	34,214
Payments for Federal HAP subsidies	-	-	(32,798)
Interfund Receipts	1,031,057	108,611	3,486
Interfund Payments	(1,021,919)	(106,517)	(3,072)
Grant payments to other agencies	(34,950)	(94,938)	-
Other operating cash receipts	43,166	329	248
Other operating cash payments	(20,167)	-	(129)
Net cash provided by (used for) operating activities	(72,756)	8,711	2,150
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	-	-	-
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(1,062)	-	-
Interest paid	(1,594)	-	-
Proceeds from issuance of short term debt	345,931	-	-
Payment of short term debt	(364,209)	-	-
Contributions to the State of Alaska or other State agencies	(9,381)	-	-
Transfers (to) from other funds	111,167	-	-
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	80,852	-	-
<u>Cash flows from capital financing activities:</u>			
Acquisition of capital assets	(3,749)	(6,383)	(20)
Proceeds from the disposal of capital assets	5	-	1
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	(30)	-	-
Net cash provided by (used for) capital financing activities	(3,774)	(6,383)	(19)
<u>Cash flows from investing activities:</u>			
Purchase of investments	(2,949,170)	-	-
Proceeds from maturity of investments	2,939,044	-	-
Interest received from investments	353	3	9
Net cash provided by (used for) investing activities	(9,773)	3	9
Net Increase (decrease) in cash	(5,451)	2,331	2,140
Cash at the beginning of year	41,087	1,559	2,744
Cash at the end of period	35,636	3,890	4,884
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	13,796	3,207	1,262
Adjustments:			
Depreciation expense	685	4	14
Provision for loan losses	(2,666)	-	-
Amortization of bond issuance costs	-	-	-
Net change in the fair value of investments	(7,710)	-	-
Transfers between funds for operating activity	(80,326)	2,213	(61)
Interest received from investments	(353)	(3)	(9)
Interest paid	1,594	-	-
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	(34,536)	-	-
Net increase (decrease) in assets and liabilities	36,760	3,290	944
Net cash provided by (used for) operating activities	(72,756)	8,711	2,150
Noncash investing, capital and financing activities:			
Deferred outflow of resources			
Derivative instruments liability			
Net change of hedge termination			
Conversion of NIBP bonds to 2010 Series A-1			
Conversion of NIBP bonds from 2009 Series A-1			
Transfer of Investments	196		
Transfer of capital assets	2,228	(7,456)	

See accompanying notes to the financial statements.

Exhibit C

Grant Programs	Mortgage or Bond Programs	Other Funds or Programs	Total June 30, 2012
-	129,290	-	133,122
-	634,358	-	643,733
-	-	-	(425,878)
-	(381,967)	-	-
(898)	-	(8,701)	(37,872)
(354)	-	(8,939)	(31,100)
16,088	-	15,353	143,709
-	-	-	34,214
-	-	-	(32,798)
20,903	753,459	17,768	1,935,284
(18,189)	(765,173)	(20,414)	(1,935,284)
(18,327)	-	-	(148,215)
1,845	168,580	8,514	222,682
(1,024)	(171,488)	(33)	(192,841)
44	367,059	3,548	308,756
-	100,305	-	100,305
-	(410,704)	-	(410,704)
-	-	-	-
-	-	-	(1,062)
-	(108,661)	-	(110,255)
-	-	-	345,931
-	-	-	(364,209)
-	(809)	-	(10,190)
-	(111,167)	-	-
-	-	-	-
-	(531,036)	-	(450,184)
-	-	(421)	(10,573)
-	-	3	9
-	-	-	-
-	(4,011)	-	(4,011)
-	-	-	-
-	(1,733)	-	(1,733)
-	6,771	-	6,771
-	-	-	(30)
-	1,027	(418)	(9,567)
-	(3,196,107)	(22,109)	(6,167,386)
-	3,344,164	22,095	6,305,303
-	3,914	19	4,298
-	151,971	5	142,215
44	(10,979)	3,135	(8,780)
3	11,196	16,822	73,411
47	217	19,957	64,631
(28,983)	(13,494)	(6,257)	(30,469)
-	-	6,946	7,649
-	1,124	-	(1,542)
-	3,831	-	3,831
-	47	(4)	(7,667)
41,105	33,139	3,930	-
-	(3,914)	(19)	(4,298)
-	110,394	-	111,988
-	252,391	-	217,855
(12,078)	(16,459)	(1,048)	11,409
44	367,059	3,548	308,756

(114,821)
116,586
(1,765)
128,750
(128,750)
(196)

5,228

NOTES TO FINANCIAL STATEMENTS

FOOTNOTE INDEX

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)

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 that are not component units of the Corporation and thus not included in the Corporation's financial statement. 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. They issue their own annual stand-alone audited financial statements.

- 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.

There is no financial accountability between NTSC, AHCC, AGDC and the Corporation. Neither the Corporation nor the State is liable for any debt issued by these subsidiaries. They are government instrumentalities of, but have a legal existence separate and apart from, the State.

The Corporation has a new subsidiary, Alaska Corporation for Affordable Housing (ACAH), incorporated under the Alaska Nonprofit Corporation Act (AS 10.20) and provisions of the Alaska Housing Finance Corporation Act (AS 18.56), as amended. Neither the Corporation nor the State is liable for any debt issued by ACAH. It is a government instrumentality of, but has a legal existence separate and apart from, the State.

- ACAH was incorporated on February 1, 2012 in the State of Alaska pursuant to House Bill 119 of the 2011 Alaska Legislature.

ACAH was formed to benefit and support the Corporation in providing safe, quality and affordable housing and services to low-income, moderate-income and elderly Alaskans. AHFC has financial accountability for ACAH due to its fiscal dependency on AHFC. ACAH is a blended component unit of the Corporation and thus will be included on the Corporation's financial statements. As of June 30, 2012, ACAH had no activity.

NOTES TO FINANCIAL STATEMENTS

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 Funds in separate columns. The total column presents the entity-wide amounts for the Corporation.

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.

Section 8 Vouchers Programs. Tenant-based rental assistance programs for families in the private market administered by the Corporation under contract with HUD are aggregated and reported in Section 8 Vouchers Programs.

Grant Programs. Resources provided to other agencies and individuals to develop and improve affordable housing units for lower income families are aggregated and reported in Grant Programs.

Mortgage or Bond Funds. Resources to assist in the financing of loan programs or to fund legislature appropriations are aggregated and reported in Mortgage or Bond Funds.

Other Funds or Programs. AHFC owned housing for low income families managed under contract with HUD are aggregated and reported in Other Funds or Programs.

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. 16, 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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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, 2012	June 30, 2011
Restricted cash	\$ 28,996	\$ 32,325
Unrestricted	35,635	41,086
Carrying amount	<u>\$ 64,631</u>	<u>\$ 73,411</u>
Bank Balance	<u>\$ 65,634</u>	<u>\$ 76,107</u>

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)					June 30, 2012	June 30, 2011
	Less Than 1	1-5	6-10	More Than 10		
Bank investment contracts	\$ -	\$ 40,734	\$ -	\$ -	\$ 40,734	\$ 49,002
U. S. Treasury securities	1,335	3,801	-	-	5,136	17,173
Securities of U. S. Government agencies and corporations	305	2,877	248	1	3,431	10,235
Asset-backed securities	-	-	-	-	-	227
Certificates of deposit	1,000	-	-	-	1,000	3,000
Negotiable certificates of deposit	-	-	-	-	-	3,300
Commercial paper & medium- term notes	507,215	2,789	-	-	510,004	25,051
Guaranteed investment contracts	-	-	-	-	-	-
Money market funds	81,189	-	-	-	81,189	741,566
Subtotal	<u>\$ 591,044</u>	<u>\$ 50,201</u>	<u>\$ 248</u>	<u>\$ 1</u>	<u>641,494</u>	<u>849,554</u>
GeFONSI pool					590,396	512,553
Total AHFC Portfolio					<u>\$ 1,231,890</u>	<u>\$ 1,362,107</u>

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, 2012	June 30, 2011
Restricted Investments	\$ 578,416	\$ 755,984
Unrestricted	653,474	606,123
Carrying amount	<u>\$ 1,231,890</u>	<u>\$ 1,362,107</u>

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, 2012	June 30, 2011
Ending unrealized holding gain	\$ 20,602	\$ 12,971
Beginning unrealized holding gain	12,971	5,265
Net change in unrealized holding gain	7,631	7,706
Net realized gain (loss)	36	60
Net increase (decrease) in fair value	<u>\$ 7,667</u>	<u>\$ 7,766</u>

NOTES TO FINANCIAL STATEMENTS

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 trusted or non-trusted, and this classification determines the applicable investment guidelines used by staff when making investment decisions. Trusted funds are invested in accordance with their respective indentures or governing agreements. Non-trusted funds are governed by the terms outlined in the Corporation's Fiscal Policies and are typically invested to meet the projected need for use of such funds.

The following securities are eligible for investment under the Corporation's Fiscal Policies:

- Obligations backed by the full faith and credit of the United States;
- Obligations of U.S. government-sponsored enterprises (GSEs) and federal agencies not backed by the full faith and credit of the United States
- Obligations of the World Bank rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year or "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Money market funds rated at least "AAm" by S&P or "Aa-mf" by Moody's or "AAMmf" by Fitch;
- Banker's acceptances and negotiable certificates of deposit of any bank the unsecured short-term obligations of which are rated at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch and which is incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or which is a foreign bank with a branch or agency licensed under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, or which is a foreign bank having a long-term issuer rating of at least "AA" from S&P or "Aa2" from Moody's or "AA" from Fitch;
- 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) where: the counterparty is designated as a primary dealer by the Federal Reserve and has a long-term debt rating of at least "A" by S&P or "A" by Moody's or "A" by Fitch or a short-term rating of at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch; collateral is pledged at a minimum level of 102%, valued on a daily basis with a one-business-day cure period; the term of such repurchase agreement is one week or less; a third-party custodian acting as the Corporation's agent has possession of the collateral and holds such collateral in the Corporation's name; the agreement is evidenced by standard documents published by the Securities Industry and Financial Markets Association (SIFMA); and the securities to be repurchased are obligations backed by the full faith and credit of the United States or obligations of U.S. government-sponsored enterprises and federal agencies not backed by the full faith and credit of the United States or obligations of the World Bank rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year or "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Guaranteed investment contracts with a financial institution having outstanding unsecured long-term obligations rated, or an investment agreement rating of, at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch, or, if the term is one year or less, at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch;
- Fixed and floating-rate notes and bonds (other than commercial paper) issued by corporate or municipal obligors and rated at least "AA" by S&P or "Aa2" by Moody's or "AA" by Fitch if maturing in excess of one year, or at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing, or with a provision for investor withdrawal or put at par, in one year or less;
- Asset-backed securities (other than asset-backed commercial paper) rated at least "AA+" by S&P or "Aa1" by Moody's or "AA+" by Fitch; and
- Investment pools managed by the State of Alaska, including the General Fund and Other Non-Segregated Investments (GeFONSI) pool.

NOTES TO FINANCIAL STATEMENTS

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, 2012, as determined by nationally recognized statistical rating organizations, are shown below (in thousands). \$5,136,000 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	AA+	\$ 3,320
	Aaa	AAA	111
			<u>3,431</u>
Asset-backed securities:			
	Aaa	AAA	-
Negotiable certificates of deposit:			
	P-1	A-1	-
	P-1	A-1+	-
			<u>-</u>
Certificates of deposit:			
	P-1	A-1	1,000
	P-1	A-1+	-
			<u>1,000</u>
Commercial paper, medium-term notes:			
	A1	A+	3,072
	A1	AA-	-
	A2	A	3,136
	A2	A+	1,039
	Aa1	AAA	-
	Aa1	A+	103
	Aa1	AA	-
	Aa1	AA-	101
	Aa2	AA-	262
	Aa2	AA	-
	Aa2	AA+	156
	Aa2	A	1,012
	Aa3	A-	100
	Aa3	AA-	-
	Aa3	A+	2,021
	Aaa	AAA	449
	Aaa	AA+	-
	Aaa	A+	101
	P-1	A-1+	384,333
	P-1	A-1	65,156
	P-2	A-1	32,496
	P-2	A-1+	16,467
			<u>510,004</u>
Money market funds:			
	--	AAAm	<u>81,189</u>
Unrated investments:			
Bank investment contracts			<u>40,734</u>
			<u>\$ 636,358</u>

NOTES TO FINANCIAL STATEMENTS

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.us/financials/fiscal_policies.cfm

Investment Category	Category Limit as % of Total Portfolio	Issuer Limit as % of Total Portfolio
U.S. government obligations	n/a	n/a
U.S. GSEs and agencies	n/a	35%
World Bank obligations	n/a	35%
Money market funds	n/a	n/a
Banker's acceptances, negotiable CDs	n/a	5%
Commercial paper	n/a	5%
Repurchase agreements	n/a	25%
Guaranteed investment contracts	n/a	5%
Corporate and municipal notes and bonds	n/a	5%
Asset-backed securities	20%	5%
State of Alaska investment pools	n/a	n/a

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. As of June 30, 2012, 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	\$ 590,396	47.93 %
Rabobank USA	99,831	8.10
Nordea North America	94,168	7.64
KELLS Fund	81,138	6.59
Fedrated Investment Prime	80,696	6.55
Autobahn Funding	70,231	5.70

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 \$65,634,000 bank balance at June 30, 2012, cash deposits in the amount of \$1,203,000 were uninsured and uncollateralized. Additional cash deposits in the amount of \$39,415,000 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2012:

	Investment Fair Value	Modified Duration
Bank investment contracts	\$ 40,734	-
U. S. Treasury securities:		
Treasury coupon securities	3,801	2.619
Treasury discounts	1,335	0.312
Securities of U. S. Government agencies and corporations:		
Federal agency discounts	-	-
Federal agency coupon securities	3,161	1.279
Federal agency pass through securities	270	2.701
Asset-backed securities	-	-
Certificates of deposit	1,000	0.238
Negotiable certificates of deposit	-	-
Commercial paper & medium-term notes:		
Commercial paper discounts	498,452	0.245
Corporate bonds	106	2.664
Medium-term notes	11,446	0.819
Municipal bonds	-	-
Floating rate notes	-	-
Banker's Acceptances	-	-
Guaranteed investment contracts	-	-
Money market funds	81,189	-
	<u>\$ 641,494</u>	
Portfolio modified duration		0.122

NOTES TO FINANCIAL STATEMENTS

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 Fixed Income Pool, the Short-term Liquidity Fixed Income Pool and the Intermediate-term Fixed Income Pool. 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. Income in the Short-term, Short-term Liquidity and Intermediate-term Fixed Income Pools is allocated to pool participants daily on a pro rata basis.

At June 30, 2012, the Corporation's share of pool investments was as follows (in thousands):

Investment Type	Fair Value			Total
	Short-term Fixed Income Pool	Short-term Liquidity Fixed Income Pool	Intermediate- term Fixed Income Pool	
Commercial Paper	\$ 9,734	\$ -	\$ 153	9,887
Corporate Bonds	26,038	-	39,157	65,195
Deposit	1,143	-	-	1,143
Mortgage-backed	2,426	-	9,585	12,011
Other Asset-backed	100,800	-	1,053	101,853
U.S. Government Agency	3,427	-	12,535	15,962
U.S. Treasury Bills	151,152	40,091	20,880	212,123
U.S. Treasury Notes	-	-	172,840	172,840
U.S. Treasury Strip	-	-	154	154
Yankees:				
Corporate	5,991	-	-	5,991
Government	-	-	1,575	1,575
Total Invested Assets	300,711	40,091	257,932	598,734
Pool related net assets (liabilities)	(8,108)	6	(236)	(8,338)
Net Invested Assets	\$ 292,603	\$ 40,097	\$ 257,696	590,396

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, 2012, 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.

Short-term Liquidity Fixed Income Pool

Treasury's investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2012, the expected average life of fixed rate securities ranged from 163 to 170 days.

NOTES TO FINANCIAL STATEMENTS

Intermediate-term Fixed Income Pool

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.

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 - $\pm$ 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, 2012, was 2.66 years.

At June 30, 2012, the effective duration by investment type was as follows:

	Intermediate-term Fixed Income Pool
Cash Equivalent	0.26
Corporate	1.62
Mortgage-Backed	1.28
Other Asset-Backed	2.43
U.S. Government Agency	1.24
U.S. Treasury Bill	0.30
U.S. Treasury Notes	2.78
U.S. Treasury Strip	5.26
Yankees:	
Corporate	2.63
Government	1.72
Portfolio Effective Duration (in years)	2.23

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. Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard and Poor's. 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.

Short-term Liquidity Pool investments are limited to U.S. Treasury obligations or other U.S. Government securities issued in full faith or guaranteed by agencies and instrumentalities of the U.S. Government, obligations of foreign governments, sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars, and the State's internally-managed Short-term Fixed Income Pool.

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.

NOTES TO FINANCIAL STATEMENTS

At June 30, 2012, 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		
		Short-term Fixed Income Pool	Liquidity Fixed Income Pool	Intermediate-term Fixed Income Pool
Commercial Paper	Not Rated	3.33 %	- %	0.06 %
Corporate Bond	A	3.60	-	3.52
Corporate Bond	AA	4.94	-	7.54
Corporate Bond	AAA	-	-	0.66
Corporate Bond	BBB	-	-	1.21
Corporate Bond	Not Rated	0.35	-	0.06
Government Agency	A	-	-	0.06
Government Agency	AA	1.17	-	4.75
Mortgage-backed	AA	-	-	1.27
Mortgage-backed	AAA	0.46	-	1.73
Mortgage-backed	CCC	-	-	0.02
Mortgage-backed	Not Rated	0.37	-	0.61
Other Asset-backed	A	0.08	-	-
Other Asset-backed	AA	1.90	-	-
Other Asset-backed	AAA	26.15	-	0.27
Other Asset-backed	Not Rated	6.30	-	0.13
Other Pool Ownership	Not Rated	-	0.11	2.42
U.S. Treasury Bill	AA	51.67	99.87	7.91
U.S. Treasury Note	AA	-	-	65.44
U.S. Treasury Strip	AA	-	-	0.06
Yankee Corporate	A	0.62	-	0.30
Yankee Corporate	AA	1.42	-	0.66
Yankee Corporate	AAA	-	-	0.50
Yankee Corporate	BBB	-	-	0.32
Yankee Government	A	-	-	0.01
Yankee Government	AA	-	-	0.54
Yankee Government	Not Rated	-	-	0.04
	No Exposure	(2.36)	0.02	(0.09)
		100.00 %	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, 2012, the fund did not have more than five percent of its investments in any one company or affiliated group.

NOTES TO FINANCIAL STATEMENTS

4 INTERFUND RECEIVABLE/PAYABLE

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

Due From	Due From						Total
	Administrative Fund	Energy Programs	Section 8 Vouchers Programs	Grant Programs	Mortgage or Bond Programs	Other Funds or Programs	
Administrative Fund	\$ -	\$ 15,142	\$ 1,894	\$ 17,900	\$ -	\$ 755	\$ 35,691
Energy Programs	-	-	-	-	-	-	-
Section 8 Vouchers Programs	-	-	-	-	-	-	-
Grant Programs	-	-	-	-	-	-	-
Mortgage or Bond Programs	63,320	-	-	-	-	-	63,320
Other Funds or Programs	595	-	-	-	-	-	595
Total	\$ 63,915	\$ 15,142	\$ 1,894	\$ 17,900	\$ -	\$ 755	\$ 99,606

The balance of \$63,320,000 due to the Mortgage or Bond programs 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 \$35,691,000 due to the Administrative Fund from the Energy Programs, the Section 8 Vouchers programs, the Grant Programs and the Other Funds or Programs resulted primarily from expenditures paid by the Administrative Fund on behalf of those programs, also an allocation of management and bookkeeping fees mandated by HUD.

The balance of \$595,000 due from the Administrative Fund to the Other Funds or Programs 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, 2012	June 30, 2011
Mortgage loans	\$ 2,284,305	\$ 2,535,633
Multifamily loans	237,064	225,662
Other notes receivable	92,075	88,361
	2,613,444	2,849,656
Less:		
Allowance for losses	(88,440)	(90,145)
Net Mortgage loans, notes and other loans	\$ 2,525,004	\$ 2,759,511

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, 2012	June 30, 2011
<u>Delinquencies and foreclosures:</u>		
Loans delinquent 30 days or more	\$ 143,378	\$ 141,825
Foreclosures during period	14,168	16,824
Loans in foreclosure process	22,785	20,925
<u>Mortgage-related commitments:</u>		
To purchase mortgage loans	74,550	73,287

NOTES TO FINANCIAL STATEMENTS

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 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, 2012 was \$43,197,000. 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, 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):

12 Months Ending June 30	Future Minimum Payments Due		
	Parking Garage	Building	Total
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
2017	3,304	3,467	6,771
Thereafter	36,336	-	36,336
Gross payments due	52,856	17,335	70,191
Less: Unearned revenue	(14,944)	(2,055)	(16,999)
Net investment in direct financing lease	\$ 37,912	\$ 15,280	\$ 53,192

NOTES TO FINANCIAL STATEMENTS

8 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 and a summary of balances are shown below (in thousands):

	June 30, 2011	Additions	Reductions	June 30, 2012
Non-Depreciable Capital Assets:				
Land	\$ 13,753	\$ 2,400	\$ -	\$ 16,153
Construction in progress	2,139	8,928	(10,589)	478
Total Non-Depreciable	15,892	11,328	(10,589)	16,631
Depreciable Capital Assets:				
Buildings	223,486	12,275	(2,400)	233,361
Computers & Equipment	1,643	351	(183)	1,811
Leasehold Improvements	88	-	(88)	-
Vehicles	2,042	173	(184)	2,031
Less: Accumulated depreciation				
Buildings	(118,025)	(7,451)	88	(125,388)
Computers & Equipment	(1,310)	(250)	179	(1,381)
Leasehold Improvements	(88)	-	88	-
Vehicles	(1,760)	(123)	184	(1,699)
Total Depreciable, Net	106,076	4,975	(2,316)	108,735
Total Capital Assets, Net	\$ 121,968	\$ 16,303	\$ (12,905)	\$ 125,366

The depreciation expense charged by the Corporation was \$7,649,000 for the year ended June 30, 2012. 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 \$6,566,000 at June 30, 2012.

NOTES TO FINANCIAL STATEMENTS

9 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, 2012, 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 were 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, 2012 all of the bonds, \$193,100,000, had been converted.

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

	Original Amount	June 30, 2012	June 30, 2011
First-Time Home Buyer Program			
<i>Mortgage Revenue Bonds, Tax-Exempt:</i>			
• 2001 Series A	\$ 32,740	\$ -	\$ 6,040
• 2001 Series B	104,450	-	33,125
Unamortized premium		-	20
• 2009 Series A-1; 3.07%, due 2027-2041	64,350	63,750	64,350
• 2009 Series A-2; 2.32%, due 2026-2041	128,750	124,150	-
• 2010 Series A; 0.95% to 4.00%, due 2012-2027	43,130	39,750	42,005
Unamortized discount		(205)	(219)
• 2010 Series B; 0.95% to 4.625%, due 2012-2040	35,680	34,555	35,305
• 2011 Series B; 0.40% to 4.05%, due 2012-2026	71,360	71,360	-
<i>Mortgage Revenue Bonds, Taxable:</i>			
• 2009 Series A	193,100	-	128,750
• 2011 Series A; 2.80% due 2015-2026	28,945	25,780	-
Total Mortgage Revenue Bonds	702,505	359,140	309,376
<i>Home Mortgage Revenue Bonds, Tax-Exempt:</i>			
• 2002 Series A; Floating Rate*; 0.20% at June 30, 2012, due 2032, 2036	170,000	143,525	165,800
Unamortized swap termination penalty		(9,881)	(12,130)
• 2006 Series A; 4.05% to 5.00%, due 2012-2036	98,675	42,895	57,135
Unamortized premium		279	422
• 2006 Series B; 4.05% to 5.00%, due 2012-2036	75,000	15,450	39,110
Unamortized premium		189	287
• 2006 Series C; 5.50%, due 2012-2037	75,000	12,085	42,220
Unamortized premium		379	682
• 2007 Series A; Floating Rate*; 0.34% at June 30, 2012, due 2017-2041	75,000	75,000	75,000
Unamortized deferred debt refunding expense		(1,673)	(1,740)

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2012	June 30, 2011
• 2007 Series B; Floating Rate*; 0.38% at June 30, 2012, due 2017-2041	75,000	75,000	75,000
Unamortized deferred debt refunding expense		(1,673)	(1,740)
• 2007 Series C; 4.10% to 4.75%, due 2012-2032	89,370	28,100	59,660
• 2007 Series D; Floating Rate*; 0.41% at June 30, 2012, due 2017-2041	89,370	89,370	89,370
Unamortized deferred debt refunding expense		(2,051)	(2,133)
• 2008 Series A; 3.25% to 5.35%, due 2012-2033	80,880	12,555	48,890
• 2008 Series B; 3.25% to 5.45%, due 2012-2033	80,880	26,145	60,880
Unamortized discount		-	(60)
• 2009 Series A; Floating Rate*; 0.16% at June 30, 2012, due 2020-2040	80,880	80,880	80,880
Unamortized deferred debt refunding expense		(1,301)	(1,346)
• 2009 Series B; Floating Rate*, 0.15% at June 30, 2012, due 2020-2040	80,880	80,880	80,880
Unamortized deferred debt refunding expense		(1,301)	(1,346)
• 2009 Series C; 1.90% to 5.25%, due 2012-2034	80,870	42,680	74,040
Unamortized discount		(13)	(37)
• 2009 Series D; Floating Rate*; 0.22% at June 30, 2012, due 2020-2040	80,870	80,870	80,870
Unamortized deferred debt refunding expense		(1,252)	(1,296)
Total Home Mortgage Revenue Bonds	1,232,675	787,137	1,009,298
Veterans Mortgage Program Bonds and Notes:			
<i>Collateralized State Guaranteed Bonds and Notes, Tax-Exempt:</i>			
• 2002 First Series	50,000	-	8,490
• 2005 First Series; 4.80%, due 2012-2035	15,000	3,220	6,290
• 2006 First Series, 4.00% to 4.90%, due 2012-2037	190,000	138,055	176,760
• 2007 & 2008 First Series, 3.50% to 5.25%, due 2013-2038	57,885	38,815	53,290
Total Veterans Mortgage Program Bonds	312,885	180,090	244,830
Other Housing Bonds:			
<i>Housing Development Bonds, Tax-Exempt:</i>			
• 2002 Series A: 4.25% to 5.20%, due 2012-2022	8,440	2,335	2,510
• 2002 Series B; 4.15% to 5.15%, due 2012-2022	8,690	5,490	5,880
• 2002 Series C; 4.15% to 5.25%, due 2012-2032	70,000	57,250	58,815
• 2004 Series A; 3.80% to 4.80%, due 2012-2026	33,060	20,210	27,795
• 2004 Series B; 3.55% to 4.75%, due 2012-2032	52,025	39,480	41,045
<i>Housing Development Bonds, Taxable:</i>			
• 2004 Series D; 4.56% to 5.60%, due 2012-2043	105,000	101,060	102,080
Sub-Total Housing Development Bonds	277,215	225,825	238,125

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2012	June 30, 2011
General Mortgage Revenue Bonds, Tax-Exempt:			
• 2002 Series A; 3.75% to 5.0%, due 2012-2040	150,000	110,265	146,415
Unamortized deferred debt refunding expense		(978)	(1,021)
Unamortized premium		231	462
Government Purpose Bonds, Tax-Exempt:			
• 1997 Series A, Floating Rate*, monthly payments, 0.17% at June 30, 2012, due 2027	33,000	14,600	14,600
• 2001 Series A, Floating Rate*, 0.16% at June 30, 2012, due 2012-2030	76,580	57,865	59,945
Unamortized swap termination penalty		(7,314)	(7,711)
• 2001 Series B, Floating Rate*, 0.16% at June 30, 2012, due 2012-2030	93,590	70,715	73,255
Total Other Housing Bonds	630,385	471,209	524,070
Non-Housing Bonds:			
State Capital Project Bonds, Tax-Exempt:			
• 2002 Series A	32,905	-	4,380
• 2002 Series C; Floating Rate*, 0.15% at June 30, 2012, due 2012-2022	60,250	60,250	60,250
• 2006 Series A; 3.50% to 5.00%, due 2013-2040	100,890	92,185	93,880
Unamortized discount		(1,258)	(1,334)
Unamortized premium		1,152	1,275
• 2007 Series A & B; 4.00% to 5.25%, due 2012-2029	95,525	84,940	88,210
Unamortized discount		(54)	(60)
Unamortized premium		2,077	2,405
Unamortized deferred debt refunding expense		(2,485)	(2,628)
• 2011 Series A; 3.00% to 5.00%, due 2012-2027	105,185	98,865	105,185
Unamortized discount		(109)	(119)
Unamortized premium		2,812	3,871
General Housing Purpose Bonds, Tax-Exempt:			
• 2005 Series A; 3.45% to 5.25%, due 2012-2041	143,235	136,300	137,450
Unamortized premium		2,988	3,142
• 2005 Series B; 3.60% to 5.25%, due 2012-2030	147,610	122,905	126,830
Unamortized deferred debt refunding expense		(8,657)	(9,340)
Unamortized premium		3,097	3,532
• 2005 Series C; 4.00% to 5.00%, due 2012-2017	16,885	15,280	16,610
Total Non-Housing Bonds	702,485	610,288	633,539
Total Bonds and Notes Payable	\$ 3,580,935	\$ 2,407,864	\$ 2,721,113

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.

NOTES TO FINANCIAL STATEMENTS

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, 2012, the Corporation made \$363,290,000 special revenue redemptions and no current refundings. The Corporation made \$253,120,000 special revenue redemptions and no current refundings during fiscal year 2011.

During the year ended June 30, 2012, the Corporation converted \$128,750,000 under the federal New Issue Bond Program (NIBP). The Corporation converted \$64,350,000 under the NIBP during fiscal year 2011.

Debt Service Requirements**

For all mortgage bonds and notes in the preceding schedules, the Corporation's debt service requirements through 2017 and in five year increments thereafter to maturity are shown below (in thousands):

12 Months Ending June 30	Total Debt Service		
	Principal	Interest*	Total
2013	\$ 62,220	\$ 99,825	\$ 162,045
2014	60,705	97,571	158,276
2015	56,675	95,401	152,076
2016	35,140	49,783	84,923
2017	86,965	134,307	221,272
2018-2022	383,935	411,134	795,069
2023-2027	452,295	320,905	773,200
2028-2032	549,300	212,722	762,022
2033-2037	478,865	112,674	591,539
2038-2042	263,250	25,636	288,886
2043	5,515	207	5,722
	<u>\$ 2,434,865</u>	<u>\$ 1,560,165</u>	<u>\$ 3,995,030</u>

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at June 30, 2012

** Also see Note 10 – 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, 2012	June 30, 2011
Revenue Bonds, 2010		
Birchwood Apartments Project	\$ -	\$ 1,009

NOTES TO FINANCIAL STATEMENTS

10 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, 2012, 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, 2012, 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	AAA/Aa3
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	AAA/Aa3
SC02C ³	12/05/02	4.3030	SIFMA ⁶ +0.115%	07/01/22	A+/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	A+/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	A+/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

NOTES TO FINANCIAL STATEMENTS

The change in fair value and ending balance of the hedging derivatives as of June 30, 2012, is shown below (in thousands). The fair value is reported as a deferred outflow / inflow of resources in the Statement of Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2012	Fair Values June 30, 2011	Change in Fair Value
GP01A	\$ 57,865	\$ 64,284	\$ (6,419)	\$ (1,025)	\$ (5,394)
GP01B	70,715	90,021	(19,306)	(12,628)	(6,678)
E021A1	44,540	51,937	(7,397)	(2,469)	(4,928)
E021A2	98,985	107,749	(8,764)	(4,797)	(3,967)
SC02C	60,250	69,939	(9,689)	(7,171)	(2,518)
E071AB	143,622	192,144	(48,522)	(21,818)	(26,704)
E071BD	95,748	127,714	(31,966)	(13,955)	(18,011)
E091A	72,789	98,022	(25,233)	(11,238)	(13,995)
E091B	72,789	98,056	(25,267)	(11,375)	(13,892)
E091ABD	97,052	130,246	(33,194)	(14,460)	(18,734)
Total	\$ 814,355	\$ 1,030,112	\$ (215,757)	\$ (100,936)	\$ (114,821)

As of June 30, 2012, 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
2013	\$ 12,470	\$ 1,927	\$ 27,347	\$ 41,744
2014	13,020	1,906	26,911	41,837
2015	13,570	1,884	26,455	41,909
2016	14,160	1,861	25,980	42,001
2017	17,200	1,837	25,485	44,522
2018-2022	129,935	8,479	116,141	254,555
2023-2027	150,840	6,895	91,626	249,361
2028-2032	169,685	5,031	64,954	239,670
2033-2037	166,540	2,994	37,423	206,957
2038-2042	126,935	874	10,123	137,932
	\$ 814,355	\$ 33,688	\$ 452,445	\$ 1,300,488

Risks

a. Credit Risk

As of June 30, 2012, 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 32% of the total notional amount of the swaps is held with one counterparty rated AAA/Aa1. Another 31% of the total notional amount of the swaps is held with one counterparty rated A+/Aa1. Of the remaining swaps, one counterparty is rated AAA/Aa3, another counterparty is rated A/A1, and the remaining counterparty is rated A+/Aa3, approximating 21%, 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.

NOTES TO FINANCIAL STATEMENTS

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, 2012, SIFMA was 0.18% and 1-month LIBOR was 0.24525%, resulting in a SIFMA/LIBOR ratio of 73.4%. The 3-month LIBOR was 0.4606%, resulting in a SIFMA/LIBOR ratio of 39.1%. 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, 2012, 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	A+/Aa1

The change in fair value of the investment derivatives as of June 30, 2012, 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 31, 2012	Fair Values June 30, 2011	Change in Fair Value
SC02B	\$ 14,555	\$ 18,278	\$ (3,723)	\$ (1,958)	\$ (1,765)

Credit Risk

As of June 30, 2012, 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 A+/Aa1.

NOTES TO FINANCIAL STATEMENTS

11 LONG TERM LIABILITIES

The activity for the year ended June 30, 2012 is summarized in the following schedule (in thousands):

	June 30, 2011	Additions	Reductions	June 30, 2012	Due Within One Year
Total bonds and notes payable	\$ 2,721,113	\$ 229,054	\$ (542,303)	\$ 2,407,864	\$ 62,220
Compensated absences	4,813	2,851	(2,414)	5,250	2,001
Other liabilities	1,139	215	(800)	554	105
Total long-term liabilities	\$ 2,727,065	\$ 232,120	\$ (545,517)	\$ 2,413,668	\$ 64,326

12 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, 2012	June 30, 2011
Lowest	0.12%	0.21%
Highest	0.35%	0.59%

Short term debt activity for the year ended June 30, 2012 is summarized in the following schedule (in thousands):

	June 30, 2011	Additions	Reductions	June 30, 2012
Commercial paper	\$ 87,000	\$ 346,051	\$ (364,351)	\$ 68,700
Unamortized discount	(24)	(133)	142	(15)
Commercial paper, net	\$ 86,976	\$ 345,918	\$ (364,209)	\$ 68,685

13 TRANSFERS

Transfers for the year ended June 30, 2012 are summarized in the following schedule (in thousands):

	From						
	Administrative Fund	Energy Programs	Section 8 Vouchers Programs	Grant Programs	Mortgage or Bond Programs	Other Funds or Programs	Total
Administrative Fund	\$ -	\$ 2,241	\$ -	\$ 446	\$ 120,482	\$ 152	\$ 123,321
Energy Programs	2,224	-	-	-	-	-	2,224
Section 8 Vouchers Programs	-	-	-	-	-	22	22
Grant Programs	41,551	-	-	-	-	-	41,551
Mortgage or Bond Programs	146,738	-	-	-	-	-	146,738
Other Funds or Programs	6,163	5,228	83	-	-	-	11,474
Total	\$ 196,676	\$ 7,469	\$ 83	\$ 446	\$ 120,482	\$ 174	\$ 325,330

Transfers are used to:

- (1) move cash between the Administrative Fund and the Mortgage or Bond Programs to subsidize debt service payments or satisfy bond indenture requirements,
- (2) move mortgages between the Administrative Fund and the Mortgage or Bond Programs,
- (3) record expenditures paid on behalf of the Energy Programs, the Grant Programs, the Mortgage or Bond Programs, and the Other Funds or Programs by the Administrative Fund,
- (4) record energy capital asset improvements made on behalf of the Administrative Fund and the Other Funds or Programs by the Energy Programs,
- (5) record expenditures paid between the Section 8 Vouchers Programs and the Other Funds or Programs.

NOTES TO FINANCIAL STATEMENTS

14 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 $\frac{1}{4}$ to $\frac{1}{2}$ 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, 2012	June 30, 2011
Bond related liquidity facilities	\$ 463,765	\$ 486,040
Bond insurance	747,865	1,009,750
	<u>\$ 1,211,630</u>	<u>\$ 1,495,790</u>

15 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, 2012	June 30, 2011
Arbitrage expense	\$ (46)	\$ 542
Arbitrage paid	539	85
Arbitrage rebate reimbursement	-	31

16 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–FY2012 were \$1,571,498,000; payments up thru June 30, 2012 were \$1,475,440,000 resulting in total remaining commitments of \$96,058,000 as of June 30, 2012.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2012	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	8,398	318,893	327,291
Various bond proceeds disbursed	809	312,415	313,224
Total	\$ 9,207	\$ 1,962,015	\$ 1,971,222

NOTES TO FINANCIAL STATEMENTS

17 GRANTS

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

Program	June 30, 2012
<i>Administrative Programs:</i>	
▪ Loussac Place	\$ 3,268
<i>Energy Programs:</i>	
▪ ARRA State Energy Program	18,792
▪ ARRA Weatherization Assistance Program	2,387
▪ Energy Efficient Appliance Rebate	370
▪ Energy Efficiency Monitoring Research	1,138
▪ Energy Efficiency Conservation Block Grant	3,260
▪ Energy Efficient Home Program	18,442
▪ Low-Income Home Energy Assistance	110
▪ Low Income Weatherization Assistance	55,886
Total Energy Programs	100,385
<i>Low Rent Public Housing Program</i>	141
<i>Section 8 Vouchers Program</i>	30,479
<i>Grant Programs:</i>	
▪ AMHTA Short Term Housing Assistance	-
▪ ARRA Low Income Tax Credit	310
▪ ARRA TCAP Home	50
▪ Beneficiaries and Special Needs Housing	1,725
▪ Denali Commission	-
▪ Drug Elimination	73
▪ Emergency Shelter Grant	163
▪ Homeless Prevention and Rapid Re-Housing	26
▪ HOME Investment Partnership	4,460
▪ Homeless Assistance Program	8,848
▪ Homeless Information Management System	23
▪ Housing Loan Program	7,931
▪ Housing Opportunities for Persons with AIDS	688
▪ Low Income Tax Credit	-
▪ Neighborhood Stabilization	3,632
▪ Resident Opportunity and Support Service	80
▪ ROSS Neighborhood Network	-
▪ Section 8 Contract Administration	-
▪ Senior Citizen Housing Development Grant	7,036
▪ Shelter Plus Care	859
▪ Special Needs Housing	-
▪ Supplemental Housing Grant	7,795
▪ Supportive Housing Grant Match	1,098
▪ Technical Assistance Grant	124
Total Grant Programs	44,921
Total Housing Grant Expenses	179,194
▪ Legislative Appropriations-Non-Housing Capital Projects	8,398
Total Non-Housing Capital Project Grants	8,398
Total Grants	\$ 187,592

In addition to grant payments made, the Corporation has advanced grant funds of \$10,912,000 and committed to third parties a sum of \$148,719,000 in grant awards at June 30, 2012.

NOTES TO FINANCIAL STATEMENTS

18 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.

- Project Based Section 8

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

NOTES TO FINANCIAL STATEMENTS

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

Grant 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, 2012, 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	4,521
Single Room Occupancy	70
	<u>6,286</u>

19 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 2011 Legislature authorized additional funding for the Weatherization program of \$62,500,000 and for the Energy Rebate Program of \$37,500,000.

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, 2012 the Corporation had outstanding commitments of \$39,728,000 and had paid out \$131,148,000 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.

20 PENSION AND POST EMPLOYMENT HEALTHCARE PLANS

Plan Description

As of June 30, 2012, 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.

NOTES TO FINANCIAL STATEMENTS

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 between July 1, 1986 and 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 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 between July 1, 1996 and June 30, 2006 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 59½. 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 6¼% 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 2012, 9.92% of covered salary is for the pension plan and 12.08% of covered salary is for the Post Employment Healthcare Plan.

Under AS39.35.255, the difference between the actuarial required contribution of 33.49% for the fiscal year 2012 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, 2012 was \$1,327,000.

The Corporation's contributions to the pension plan for the year ended June 30, 2012 was \$1,813,000 and for the years ended June 30, 2011 and June 30, 2010 was \$1,403,000 and \$1,452,000 respectively.

The State contribution to the post employment healthcare plan for the Corporation for the year ended June 30, 2012 was \$1,133,000.

The Corporation's contributions to the post employment healthcare plan for the year ended June 30, 2012 was \$2,208,000 and for the years ended June 30, 2011 and June 30, 2010 was \$2,636,000 and \$2,559,000 respectively.

NOTES TO FINANCIAL STATEMENTS

Defined Contribution Plans

Under State law, covered employees are required to contribute 8% of their annual covered salary. For the fiscal year 2012, the Corporation is required to contribute 5.2% 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 2012, the Corporation is required to contribute 0.51% of the annual covered salary plus an annual flat dollar amount of \$1,778.09 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 than 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, 2012, the Corporation paid additional contributions of \$447,000.

The contributions to the pension plan for the year ended June 30, 2012 by the employees was \$277,000 and by the Corporation was \$179,000.

The Corporation contributed \$136,000 to a health reimbursement arrangement for the year ended June 30, 2012.

21 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 \$175,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of \$2,639,000 and \$1,746,000 as of June 30, 2012 and June 30, 2011, 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.

Subsequent Events

In July 2012, the Corporation issued \$145,890,000 General Mortgage Revenue Bonds II, 2012 Series A and \$50,000,000 General Mortgage Revenue Bonds II, 2012 Series B. The bonds are general obligations of the Corporation. The 2012 Series A bonds are tax exempt and bear interest at fixed rates between 0.35% and 4.25% payable each June 1 and December 1 with a final maturity of December 1, 2040. The 2012 Series B bonds are federally taxable and bear interest at a variable rate payable each June 1 and December 1 with a final maturity of December 1, 2042.

22 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.

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NOTES TO FINANCIAL STATEMENTS

23 FIVE YEAR FINANCIAL INFORMATION

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

	June 30,				
	2012	2011	2010	2009	2008
Assets and Deferred Outflows					
Cash	\$ 64,631	\$ 73,411	\$ 59,218	\$ 24,720	\$ 19,034
Investments	1,231,890	1,362,107	1,389,605	1,247,669	1,231,404
Accrued interest receivable	12,423	13,305	14,647	15,854	16,734
Mortgage loans, notes and other loans	2,525,004	2,759,511	2,971,253	3,195,444	3,450,063
Net investment in direct financing lease	53,192	57,476	61,222	64,802	65,203
Unamortized bond issuance costs	14,110	16,880	19,751	23,252	25,142
Capital assets, net	125,366	121,968	112,759	113,004	116,535
Other assets	46,275	36,446	40,463	46,680	22,004
Derivative instrument - interest rate swaps	-	-	-	-	-
Deferred outflow of resources	215,757	100,936	127,899	-	-
Total Assets and Deferred Outflows	4,288,648	4,542,040	4,796,817	4,731,425	4,946,119
Liabilities and Deferred Inflows					
Bonds and notes payable	2,407,864	2,721,113	2,832,647	2,869,153	3,136,866
Short term debt	68,685	86,976	149,890	149,724	112,159
Accrued interest payable	11,323	12,688	12,770	13,715	15,303
Other liabilities	27,153	24,549	47,252	26,722	15,620
Derivative instrument - interest rate swaps	219,480	102,895	130,267	-	-
Deferred inflow of resources	-	-	-	-	-
Total Liabilities and Deferred Inflows	2,734,505	2,948,221	3,172,826	3,059,314	3,279,948
Total Fund Equity	\$ 1,554,143	\$ 1,593,819	\$ 1,623,991	\$ 1,672,111 *	\$ 1,666,171
	June 30,				
	2012	2011	2010	2009	2008
Operating Revenues					
Mortgage and loans revenue	\$ 147,078	\$ 164,242	\$ 177,855	\$ 205,138	\$ 202,851
Investment interest	6,793	8,454	11,605	25,148	56,667
Net change in fair value of investments	7,667	7,766	6,317	570	255
Net change of hedge termination	(1,765)	410	(794)	-	-
Total Investment Revenue	12,695	16,630	17,128	25,718	56,922
Externally funded programs	179,704	194,411	191,968	112,587	73,603
Rental	8,554	7,996	8,697	8,577	7,695
Other	3,147	2,416	1,610	3,337	776
Total Operating Revenues	351,178	385,695	397,258	355,357	341,847
Operating Expenses					
Interest	111,558	122,138	130,789	149,021	147,336
Mortgage and loan costs	11,131	11,587	12,709	14,139	14,155
Operations and administration	57,126	54,100	49,678	51,421	42,812
Financing expenses	7,807	8,692	7,456	9,159	6,415
Provision for loan loss	(1,542)	(6,673)	515	(7,703)	7,098
Housing grants and subsidies	179,194	196,168	194,883	106,480	78,290
Rental housing operating expenses	16,373	12,594	11,002	11,480	10,428
Total Operating Expenses	381,647	398,606	407,032	333,997	306,534
Operating Income (Loss)	(30,469)	(12,911)	(9,774)	21,360	35,313
Non-Operating & Special Item					
Contribution to State or State agency	(9,207)	(20,349)	(36,772)	(15,420)	(53,614)
Special item	-	3,088	-	-	-
Change in Net Assets	\$ (39,676)	\$ (30,172)	\$ (46,546)	\$ 5,940	\$ (18,301)

*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, 2012

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds/Notes
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	36,009	-	-	-
Investments	760,646	47,641	120,417	28,508
Accrued interest receivable	1,266	1,158	3,773	1,038
Inter-fund due to/from	(28,224)	4,878	21,875	10,049
Mortgage loans, notes and other loans	94,605	348,119	862,933	225,220
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	1,811	3,173	885
Capital assets, non-depreciable	2,539	-	-	-
Capital assets - depreciable, net	13,333	-	-	-
Other assets	11,571	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	407	-	-	-
Deferred outflow of resources	-	-	180,343	-
Total Assets and Deferred Outflows	892,152	403,607	1,192,514	265,700
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	359,140	787,137	180,090
Short term debt	68,685	-	-	-
Accrued interest payable	1,511	839	2,729	712
Other liabilities	10,511	99	298	79
Derivative instrument - interest rate swaps	-	-	180,343	-
Intergovernmental payable	47	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	80,754	360,078	970,507	180,881
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	15,872	-	-	-
Restricted by bond resolutions	-	43,529	243,674	84,819
Restricted by contractual or statutory agreements	107,545	-	-	-
Unrestricted net assets, (deficit)	687,981	-	(21,667)	-
Total Net Assets (deficit)	811,398	43,529	222,007	84,819

Schedule 1

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
-	217	28,405	64,631
187,177	87,501	-	1,231,890
2,654	2,534	-	12,423
12,210	14,308	(35,096)	-
522,105	472,022	-	2,525,004
-	53,192	-	53,192
4,206	4,035	-	14,110
-	-	14,092	16,631
-	-	95,402	108,735
-	28	20,467	32,066
-	-	-	-
-	-	13,802	14,209
25,725	9,689	-	215,757
754,077	643,526	137,072	4,288,648
471,209	610,288	-	2,407,864
-	-	-	68,685
1,770	3,762	-	11,323
338	510	14,812	26,647
25,725	13,412	-	219,480
-	217	242	506
-	-	-	-
499,042	628,189	15,054	2,734,505
-	-	109,494	125,366
227,562	-	-	599,584
27,473	-	35,191	170,209
-	15,337	(22,667)	658,984
255,035	15,337	122,018	1,554,143

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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, 2012

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Cash	35,636	373	36,009
Investments	749,532	11,114	760,646
Accrued interest receivable	1,266	-	1,266
Inter-fund due to/from	(28,224)	-	(28,224)
Mortgage loans, notes and other loans	94,605	-	94,605
Net investment in direct financing lease	-	-	-
Unamortized bond issuance costs	-	-	-
Capital assets - non-depreciable	2,539	-	2,539
Capital assets - depreciable, net	13,333	-	13,333
Other assets	11,571	-	11,571
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental receivable	407	-	407
Deferred outflow of resources	-	-	-
Total Assets and Deferred Outflows	880,665	11,487	892,152
<u>LIABILITIES AND DEFERRED INFLOWS</u>			
Bonds and notes payable	-	-	-
Short term debt	68,685	-	68,685
Accrued interest payable	1,511	-	1,511
Other liabilities	10,511	-	10,511
Derivative instrument - interest rate swaps	-	-	-
Intergovernmental payable	47	-	47
Deferred inflow of resources	-	-	-
Total Liabilities & Deferred Inflows	80,754	-	80,754
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	15,872	-	15,872
Restricted by bond resolutions	-	-	-
Restricted by contractual or statutory agreements	96,058	11,487	107,545
Unrestricted net assets, (deficit)	687,981	-	687,981
Total Net Assets (deficit)	799,911	11,487	811,398

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, 2012

(in thousands of dollars)

	Bonds 2001 A,B	Bonds 2009 A	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	-	-	7,063	40,578
Accrued interest receivable	-	-	434	724
Inter-fund due to/from	-	-	1,277	3,601
Mortgage loans, notes and other loans	-	-	138,433	209,686
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	809	1,002
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	-	-	148,016	255,591
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	-	137,850	221,290
Short term debt	-	-	-	-
Accrued interest payable	-	-	378	461
Other liabilities	-	-	37	62
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	-	-	138,265	221,813
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	-	9,751	33,778
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	-	-	9,751	33,778

Schedule 3

**Mortgage
Revenue
Bonds
Combined
Total**

-
47,641
1,158
4,878
348,119
-
1,811
-
-
-
-
-

403,607

359,140
-
839
99
-
-
-
360,078

$$\begin{array}{r} - \\ 43,529 \\ - \\ - \\ \hline 43,529 \\ \hline \end{array}$$

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, 2012

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	42,096	3,720	1,878	2,548
Accrued interest receivable	675	231	139	169
Inter-fund due to/from	3,475	1,505	280	475
Mortgage loans, notes and other loans	129,929	42,633	30,786	29,622
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	644	336	124	94
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	16,161	-	-	-
Total Assets and Deferred Outflows	192,980	48,425	33,207	32,908
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	133,644	43,174	15,639	12,464
Short term debt	-	-	-	-
Accrued interest payable	421	171	60	56
Other liabilities	57	16	9	11
Derivative instrument - interest rate swaps	16,161	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	150,283	43,361	15,708	12,531
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	42,697	5,064	17,499	20,377
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	42,697	5,064	17,499	20,377

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
-	-	-	-	-	-	-
8,354	7,712	3,968	9,177	3,678	5,114	11,242
234	232	230	283	190	226	249
2,376	1,263	829	1,685	1,052	1,295	2,192
57,634	56,695	46,332	67,064	34,541	45,886	83,606
-	-	-	-	-	-	-
191	119	215	162	82	208	219
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
25,338	25,313	-	29,837	-	-	28,001
94,127	91,334	51,574	108,208	39,543	52,729	125,509
73,327	73,327	28,100	87,319	12,555	26,145	79,579
-	-	-	-	-	-	-
255	258	108	301	48	104	239
20	18	16	23	13	15	26
25,338	25,313	-	29,837	-	-	28,001
-	-	-	-	-	-	-
-	-	-	-	-	-	-
98,940	98,916	28,224	117,480	12,616	26,264	107,845
-	-	-	-	-	-	-
-	-	23,350	-	26,927	26,465	17,664
-	-	-	-	-	-	-
(4,813)	(7,582)	-	(9,272)	-	-	-
(4,813)	(7,582)	23,350	(9,272)	26,927	26,465	17,664

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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, 2012

(in thousands of dollars)

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	8,967	3,088	8,875	120,417
Accrued interest receivable	299	280	336	3,773
Inter-fund due to/from	2,066	661	2,721	21,875
Mortgage loans, notes and other loans	86,988	64,821	86,396	862,933
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	204	343	232	3,173
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	-	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	28,034	-	27,659	180,343
Total Assets and Deferred Outflows	126,558	69,193	126,219	1,192,514
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	79,579	42,667	79,618	787,137
Short term debt	-	-	-	-
Accrued interest payable	240	153	315	2,729
Other liabilities	30	21	23	298
Derivative instrument - interest rate swaps	28,034	-	27,659	180,343
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	107,883	42,841	107,615	970,507
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	18,675	26,352	18,604	243,674
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	(21,667)
Total Net Assets (deficit)	18,675	26,352	18,604	222,007

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, 2012

(in thousands of dollars)

	Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	-	871	22,837	4,800
Accrued interest receivable	-	24	769	245
Inter-fund due to/from	-	386	8,031	1,632
Mortgage loans, notes and other loans	-	6,568	169,783	48,869
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	540	345
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	-	7,849	201,960	55,891
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	3,220	138,055	38,815
Short term debt	-	-	-	-
Accrued interest payable	-	13	539	160
Other liabilities	-	2	58	19
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	-	3,235	138,652	38,994
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	4,614	63,308	16,897
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	-	4,614	63,308	16,897

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER HOUSING BONDS

As of June 30, 2012

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	Governmental Purpose Bonds 1997 A
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	-	-
Investments	17,965	27,817	23,091	5,261
Accrued interest receivable	40	1,235	386	124
Inter-fund due to/from	75	5,914	3,164	-
Mortgage loans, notes and other loans	9,395	216,505	158,614	16,100
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	2,320	728	115
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	27,475	253,791	185,983	21,600
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	225,825	109,518	14,600
Short term debt	-	-	-	-
Accrued interest payable	-	969	436	2
Other liabilities	2	45	30	105
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	-	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	2	226,839	109,984	14,707
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	26,952	75,999	6,893
Restricted by contractual or statutory agreements	27,473	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	27,473	26,952	75,999	6,893

Schedule 6

Governmental Purpose Bonds 2001 A-D	Combined Total
-	-
113,043	187,177
869	2,654
3,057	12,210
121,491	522,105
-	-
1,043	4,206
-	-
-	-
-	-
-	-
25,725	25,725
265,228	754,077
121,266	471,209
-	-
363	1,770
156	338
25,725	25,725
-	-
-	-
147,510	499,042
-	-
117,718	227,562
-	27,473
-	-
117,718	255,035

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

NON-HOUSING BONDS

As of June 30, 2012

(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
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	-	-	143	-
Investments	19,102	11,186	12,898	7,997
Accrued interest receivable	204	372	147	493
Inter-fund due to/from	1,062	2,506	851	2,281
Mortgage loans, notes and other loans	41,421	81,255	36,599	93,648
Net investment in direct financing lease	-	-	37,912	-
Unamortized bond issuance costs	401	543	525	670
Capital assets - non-depreciable	-	-	-	-
Capital assets - depreciable, net	-	-	-	-
Other assets	-	28	-	-
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	-	-	-	-
Deferred outflow of resources	9,689	-	-	-
Total Assets and Deferred Outflows	71,879	95,890	89,075	105,089
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	60,250	92,079	84,478	101,568
Short term debt	-	-	-	-
Accrued interest payable	1,514	345	336	401
Other liabilities	15	29	13	35
Derivative instrument - interest rate swaps	13,412	-	-	-
Intergovernmental payable	-	-	143	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	75,191	92,453	84,970	102,004
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	-	-	-
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	-	-	-	-
Unrestricted net assets, (deficit)	(3,312)	3,437	4,105	3,085
Total Net Assets (deficit)	(3,312)	3,437	4,105	3,085

Schedule 7

General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
-	74	217
17,949	18,369	87,501
868	450	2,534
3,881	3,727	14,308
126,389	92,710	472,022
-	15,280	53,192
955	941	4,035
-	-	-
-	-	-
-	-	28
-	-	-
-	-	-
-	-	9,689
150,042	131,551	643,526
139,288	132,625	610,288
-	-	-
578	588	3,762
45	373	510
-	-	13,412
-	74	217
-	-	-
139,911	133,660	628,189
-	-	-
-	-	-
-	-	-
10,131	(2,109)	15,337
10,131	(2,109)	15,337

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER PROGRAM FUNDS

As of June 30, 2012

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Programs
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash	3,890	12,001	7,583	4,884
Investments	-	-	-	-
Accrued interest receivable	-	-	-	-
Inter-fund due to/from	(15,142)	595	(755)	(1,894)
Mortgage loans, notes and other loans	-	-	-	-
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	-	-
Capital assets - non-depreciable	-	12,809	1,283	-
Capital assets - depreciable, net	3	73,928	21,430	41
Other assets	11,645	760	59	644
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental receivable	10,379	-	-	-
Deferred outflow of resources	-	-	-	-
Total Assets and Deferred Outflows	10,775	100,093	29,600	3,675
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Bonds and notes payable	-	-	-	-
Short term debt	-	-	-	-
Accrued interest payable	-	-	-	-
Other liabilities	10,371	1,030	612	353
Derivative instrument - interest rate swaps	-	-	-	-
Intergovernmental payable	-	242	-	-
Deferred inflow of resources	-	-	-	-
Total Liabilities & Deferred Inflows	10,371	1,272	612	353
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	3	86,737	22,713	41
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	3,342	12,346	7,179	5,333
Unrestricted net assets, (deficit)	(2,941)	(262)	(904)	(2,052)
Total Net Assets (deficit)	404	98,821	28,988	3,322

Schedule 8

Other Grants	Combined Total
47	28,405
-	-
-	-
(17,900)	(35,096)
-	-
-	-
-	-
-	14,092
-	95,402
7,359	20,467
-	-
3,423	13,802
-	-
(7,071)	137,072
-	-
-	-
-	-
2,446	14,812
-	-
-	242
-	-
2,446	15,054
-	109,494
-	-
6,991	35,191
(16,508)	(22,667)
(9,517)	122,018

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, 2012

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds/Notes
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	8,896	12,405	50,521	15,928
Investment interest	423	267	397	95
Net change in the fair value of investments	7,714	2	7	1
Net change of hedge termination	-	-	-	-
Total Investment Revenue	8,137	269	404	96
Externally funded program	-	-	-	-
Rental	51	-	-	-
Other	2,567	-	250	-
Total Operating Revenues	19,651	12,674	51,175	16,024
<u>OPERATING EXPENSES</u>				
Interest	130	8,370	39,821	10,820
Mortgage and loan costs	1,476	1,038	3,686	1,206
Financing expenses	623	721	4,626	625
Provision for loan loss	(2,666)	5,187	(3,612)	(2,055)
Operations and administration	2,562	3,454	9,928	2,770
Rental housing operating expenses	437	-	-	-
Housing grants and subsidies	3,268	-	-	-
Total Operating Expenses	5,830	18,770	54,449	13,366
Operating Income (Loss)	13,821	(6,096)	(3,274)	2,658
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	(8,398)	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(73,355)	23,424	6,847	(15,492)
Change in Net Assets	(67,932)	17,328	3,573	(12,834)
Net assets at beginning of year	879,330	26,201	218,434	97,653
Net Assets at End of Period	811,398	43,529	222,007	84,819

Schedule 9

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
31,483	27,845	-	147,078
2,670	2,924	17	6,793
7	(64)	-	7,667
-	(1,765)	-	(1,765)
2,677	1,095	17	12,695
-	-	179,704	179,704
-	-	8,503	8,554
-	-	330	3,147
34,160	28,940	188,554	351,178
23,259	29,158	-	111,558
1,658	2,067	-	11,131
575	637	-	7,807
1,255	349	-	(1,542)
5,875	5,049	27,488	57,126
-	-	15,936	16,373
-	-	175,926	179,194
32,622	37,260	219,350	381,647
1,538	(8,320)	(30,796)	(30,469)
-	(809)	-	(9,207)
-	-	-	-
7,111	4,366	47,099	-
8,649	(4,763)	16,303	(39,676)
246,386	20,100	105,715	1,593,819
255,035	15,337	122,018	1,554,143

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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, 2012

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>OPERATING REVENUES</u>			
Mortgage and loans revenue	8,896	-	8,896
Investment interest	410	13	423
Net change in the fair value of investments	7,710	4	7,714
Net change of hedge termination	-	-	-
Total Investment Revenue	8,120	17	8,137
Externally funded program	-	-	-
Rental	51	-	51
Other	2,559	8	2,567
Total Operating Revenues	19,626	25	19,651
<u>OPERATING EXPENSES</u>			
Interest	130	-	130
Mortgage and loan costs	1,476	-	1,476
Financing expenses	623	-	623
Provision for loan loss	(2,666)	-	(2,666)
Operations and administration	2,562	-	2,562
Rental housing operating expenses	437	-	437
Housing grants and subsidies	3,268	-	3,268
Total Operating Expenses	5,830	-	5,830
Operating Income (Loss)	13,796	25	13,821
<u>NONOPERATING EXPENSES,</u>			
<u>SPECIAL ITEMS & TRANSFERS</u>			
Contributions to the State of Alaska or other State agencies	(8,398)	-	(8,398)
Special Items	-	-	-
Transfers - Internal	(73,355)	-	(73,355)
Change in Net Assets	(67,957)	25	(67,932)
Net assets at beginning of year	867,868	11,462	879,330
Net Assets at End of Period	799,911	11,487	811,398

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, 2012

(in thousands of dollars)

	Bonds 2001 A,B	Bonds 2009 A	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	990	(1)	6,272	5,144
Investment interest	1	41	29	196
Net change in the fair value of investments	-	-	-	2
Net change of hedge termination	-	-	-	-
Total Investment Revenue	1	41	29	198
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	991	40	6,301	5,342
<u>OPERATING EXPENSES</u>				
Interest	649	40	4,579	3,102
Mortgage and loan costs	68	-	533	437
Financing expenses	515	15	63	128
Provision for loan loss	(1,768)	-	645	6,310
Operations and administration	82	247	1,471	1,654
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	(454)	302	7,291	11,631
Operating Income (Loss)	1,445	(262)	(990)	(6,289)
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(16,110)	(2,334)	1,801	40,067
Change in Net Assets	(14,665)	(2,596)	811	33,778
Net assets at beginning of year	14,665	2,596	8,940	-
Net Assets at End of Period	-	-	9,751	33,778

Schedule 11

Mortgage Revenue Bonds Combined Total
<u>12,405</u>
267
2
-
<u>269</u>
-
-
-
<u>12,674</u>
8,370
1,038
721
5,187
3,454
-
-
<u>18,770</u>
<u>(6,096)</u>
-
-
<u>23,424</u>
<u>17,328</u>
26,201
<u>43,529</u>

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, 2012

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	8,629	2,724	1,757	1,926
Investment interest	128	13	9	12
Net change in the fair value of investments	2	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	130	13	9	12
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	250	-	-	-
Total Operating Revenues	9,009	2,737	1,766	1,938
<u>OPERATING EXPENSES</u>				
Interest	8,131	2,297	1,324	1,286
Mortgage and loan costs	633	191	119	123
Financing expenses	1,592	148	210	255
Provision for loan loss	(615)	(257)	(70)	(689)
Operations and administration	1,490	505	358	357
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	11,231	2,884	1,941	1,332
Operating Income (Loss)	(2,222)	(147)	(175)	606
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	723	523	14,727	17,739
Change in Net Assets	(1,499)	376	14,552	18,345
Net assets at beginning of year	44,196	4,688	2,947	2,032
Net Assets at End of Period	42,697	5,064	17,499	20,377

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
3,270	3,450	2,856	4,088	2,337	3,002	3,980
33	28	11	32	9	11	34
1	-	-	1	-	-	1
-	-	-	-	-	-	-
34	28	11	33	9	11	35
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,304	3,478	2,867	4,121	2,346	3,013	4,015
2,824	2,843	2,162	3,371	1,686	2,342	2,954
273	270	197	322	150	197	289
145	141	261	174	251	296	82
(143)	66	(764)	186	(560)	(361)	(283)
639	643	551	760	426	551	968
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,738	3,963	2,407	4,813	1,953	3,025	4,010
(434)	(485)	460	(692)	393	(12)	5
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(13,827)	(17,546)	19,934	(19,009)	24,043	23,289	(23,329)
(14,261)	(18,031)	20,394	(19,701)	24,436	23,277	(23,324)
9,448	10,449	2,956	10,429	2,491	3,188	40,988
(4,813)	(7,582)	23,350	(9,272)	26,927	26,465	17,664

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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, 2012

(in thousands of dollars)

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	4,069	4,045	4,388	50,521
Investment interest	33	11	33	397
Net change in the fair value of investments	1	-	1	7
Net change of hedge termination	-	-	-	-
Total Investment Revenue	34	11	34	404
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	250
Total Operating Revenues	4,103	4,056	4,422	51,175
<u>OPERATING EXPENSES</u>				
Interest	2,947	2,665	2,989	39,821
Mortgage and loan costs	303	310	309	3,686
Financing expenses	82	277	712	4,626
Provision for loan loss	(56)	108	(174)	(3,612)
Operations and administration	982	739	959	9,928
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	4,258	4,099	4,795	54,449
Operating Income (Loss)	(155)	(43)	(373)	(3,274)
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(22,201)	22,478	(20,697)	6,847
Change in Net Assets	(22,356)	22,435	(21,070)	3,573
Net assets at beginning of year	41,031	3,917	39,674	218,434
Net Assets at End of Period	18,675	26,352	18,604	222,007

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, 2012

(in thousands of dollars)

	Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	479	450	11,618	3,381
Investment interest	2	2	69	22
Net change in the fair value of investments	-	-	1	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	2	2	70	22
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	481	452	11,688	3,403
<u>OPERATING EXPENSES</u>				
Interest	259	238	7,861	2,462
Mortgage and loan costs	32	35	882	257
Financing expenses	83	204	189	149
Provision for loan loss	(98)	(24)	(979)	(954)
Operations and administration	56	84	2,042	588
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	332	537	9,995	2,502
Operating Income (Loss)	149	(85)	1,693	901
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(5,947)	(307)	(7,218)	(2,020)
Change in Net Assets	(5,798)	(392)	(5,525)	(1,119)
Net assets at beginning of year	5,798	5,006	68,833	18,016
Net Assets at End of Period	-	4,614	63,308	16,897

Schedule 13

Combined Total
<u>15,928</u>
95
1
-
<u>96</u>
-
-
-
<u>16,024</u>
10,820
1,206
625
(2,055)
2,770
-
-
<u>13,366</u>
2,658
-
-
<u>(15,492)</u>
<u>(12,834)</u>
97,653
<u>84,819</u>

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, 2012

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	Governmental Purpose Bonds 1997 A
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	701	15,038	6,618	301
Investment interest	43	67	128	13
Net change in the fair value of investments	1	1	1	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	44	68	129	13
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	745	15,106	6,747	314
<u>OPERATING EXPENSES</u>				
Interest	-	11,804	6,658	16
Mortgage and loan costs	42	584	431	-
Financing expenses	-	314	283	126
Provision for loan loss	(331)	2,329	80	-
Operations and administration	90	2,439	1,730	170
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	(199)	17,470	9,182	312
Operating Income (Loss)	944	(2,364)	(2,435)	2
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	12	(4,000)	9,961	192
Change in Net Assets	956	(6,364)	7,526	194
Net assets at beginning of year	26,517	33,316	68,473	6,699
Net Assets at End of Period	27,473	26,952	75,999	6,893

Schedule 14

Governmental Purpose Bonds 2001 A-D	Combined Total
8,825	31,483
2,419	2,670
4	7
-	-
2,423	2,677
-	-
-	-
-	-
11,248	34,160
4,781	23,259
601	1,658
(148)	575
(823)	1,255
1,446	5,875
-	-
-	-
5,857	32,622
5,391	1,538
-	-
-	-
946	7,111
6,337	8,649
111,381	246,386
117,718	255,035

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, 2012

(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
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	2,768	4,936	1,992	5,969
Investment interest	132	26	1,615	26
Net change in the fair value of investments	(25)	-	1	-
Net change of hedge termination	(1,765)	-	-	-
Total Investment Revenue	(1,658)	26	1,616	26
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	1,110	4,962	3,608	5,995
<u>OPERATING EXPENSES</u>				
Interest	3,026	4,157	3,901	3,810
Mortgage and loan costs	226	388	176	413
Financing expenses	136	66	84	94
Provision for loan loss	(280)	(196)	54	(645)
Operations and administration	489	879	376	985
Rental housing operating expenses	-	-	-	-
Housing grants and subsidies	-	-	-	-
Total Operating Expenses	3,597	5,294	4,591	4,657
Operating Income (Loss)	(2,487)	(332)	(983)	1,338
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	(533)	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(3,674)	(1,545)	478	504
Change in Net Assets	(6,694)	(1,877)	(505)	1,842
Net assets at beginning of year	3,382	5,314	4,610	1,243
Net Assets at End of Period	(3,312)	3,437	4,105	3,085

Schedule 15

General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
7,302	4,878	27,845
184	941	2,924
(41)	1	(64)
-	-	(1,765)
143	942	1,095
-	-	-
-	-	-
-	-	-
7,445	5,820	28,940
6,800	7,464	29,158
500	364	2,067
111	146	637
237	1,179	349
1,338	982	5,049
-	-	-
-	-	-
8,986	10,135	37,260
(1,541)	(4,315)	(8,320)
(276)	-	(809)
-	-	-
8	8,595	4,366
(1,809)	4,280	(4,763)
11,940	(6,389)	20,100
10,131	(2,109)	15,337

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, 2012

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Programs
<u>OPERATING REVENUES</u>				
Mortgage and loans revenue	-	-	-	-
Investment interest	3	3	2	9
Net change in the fair value of investments	-	-	-	-
Net change of hedge termination	-	-	-	-
Total Investment Revenue	3	3	2	9
Externally funded program	110,626	13,023	2,248	36,117
Rental	-	6,364	2,138	1
Other	2	5	11	61
Total Operating Revenues	110,631	19,395	4,399	36,188
<u>OPERATING EXPENSES</u>				
Interest	-	-	-	-
Mortgage and loan costs	-	-	-	-
Financing expenses	-	-	-	-
Provision for loan loss	-	-	-	-
Operations and administration	5,065	13,208	2,872	4,340
Rental housing operating expenses	1,974	10,781	3,074	107
Housing grants and subsidies	100,385	141	-	30,479
Total Operating Expenses	107,424	24,130	5,946	34,926
Operating Income (Loss)	3,207	(4,735)	(1,547)	1,262
<u>NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS</u>				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	(5,245)	9,359	1,941	(61)
Change in Net Assets	(2,038)	4,624	394	1,201
Net assets at beginning of year	2,442	94,197	28,594	2,121
Net Assets at End of Period	404	98,821	28,988	3,322

Schedule 16

Other Grants	Combined Total
-	-
-	17
-	-
-	-
-	17
17,690	179,704
-	8,503
251	330
17,941	188,554
-	-
-	-
-	-
-	-
2,003	27,488
-	15,936
44,921	175,926
46,924	219,350
(28,983)	(30,796)
-	-
-	-
41,105	47,099
12,122	16,303
(21,639)	105,715
(9,517)	122,018

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, 2012

(in thousands of dollars)

	Combined Revolving Funds	Combined Mortgage Revenue Bonds	Combined Home Mortgage Revenue Bonds	Combined Veterans Mortgage Program Bonds and Notes
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	3,832	11,824	46,735	14,705
Principal payments received on mortgages and loans	9,375	36,247	248,001	97,211
Purchases of mortgages and loans	(425,878)	-	-	-
Receipt (payment) for loan transfers between funds	381,967	(128,547)	(71,396)	(11,870)
Payments to employees and other payroll disbursements	(23,521)	-	-	-
Payments for goods and services	(15,718)	-	-	-
Cash received for externally funded programs	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-
Interfund Receipts	1,031,057	45,544	292,397	107,438
Interfund Payments	(1,021,919)	(48,175)	(295,420)	(112,172)
Grant payments to other agencies	(34,950)	-	-	-
Other operating cash receipts	43,174	-	166,629	-
Other operating cash payments	(20,167)	-	(166,629)	-
Net cash provided by (used for) operating activities	(72,748)	(83,107)	220,317	95,312
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	100,305	-	-
Principal paid on bonds	-	(50,535)	(224,300)	(64,740)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	(1,062)	-	-	-
Interest paid	(1,594)	(8,340)	(38,695)	(11,078)
Proceeds from issuance of short term debt	345,931	-	-	-
Payment of short term debt	(364,209)	-	-	-
Contributions to the State of Alaska or other State agencies	(9,381)	-	-	-
Transfers (to) from other funds	111,167	(75,078)	(13,416)	(8,120)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	80,852	(33,648)	(276,411)	(83,938)
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(3,749)	-	-	-
Proceeds from the disposal of capital assets	5	-	-	-
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	(30)	-	-	-
Net cash provided by (used for) capital financing activities	(3,774)	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(2,971,279)	(503,007)	(794,283)	(327,208)
Proceeds from maturity of investments	2,961,139	611,465	849,980	315,739
Interest received from investments	367	227	397	95
Net cash provided by (used for) investing activities	(9,773)	108,685	56,094	(11,374)
Net Increase (decrease) in cash	(5,443)	(8,070)	-	-
Cash at the beginning of year	41,452	8,070	-	-
Cash at the end of period	36,009	-	-	-
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u>				
Operating income (loss)	13,821	(6,096)	(3,274)	2,658
<u>Adjustments:</u>				
Depreciation expense	685	-	-	-
Provision for loan losses	(2,666)	5,187	(3,612)	(2,055)
Amortization of bond issuance costs	-	634	1,826	409
Net change in the fair value of investments	(7,714)	(2)	(7)	(1)
Transfers between funds for operating activity	(80,326)	4,666	12,839	2,990
Interest received from investments	(367)	(227)	(397)	(95)
Interest paid	1,594	8,340	38,695	11,078
<u>Changes in assets and liabilities:</u>				
Net increase (decrease) in mortgages and loans	(34,536)	(92,300)	176,605	85,341
Net increase (decrease) in assets and liabilities	36,761	(3,309)	(2,358)	(5,013)
Net cash provided by (used for) operating activities	(72,748)	(83,107)	220,317	95,312

Schedule 17

Combined Other Housing Bonds	Combined Non-Housing Bonds	Combined Other Programs	Combined Total
29,836	26,190	-	133,122
115,111	137,788	-	643,733
-	-	-	(425,878)
(53,292)	(116,862)	-	-
-	-	(14,351)	(37,872)
-	-	(15,382)	(31,100)
-	-	143,709	143,709
-	-	34,214	34,214
-	-	(32,798)	(32,798)
147,566	160,514	150,768	1,935,284
(145,046)	(164,360)	(148,192)	(1,935,284)
-	-	(113,265)	(148,215)
1	1,950	10,928	222,682
-	(4,859)	(1,186)	(192,841)
94,176	40,361	14,445	308,756
-	-	-	100,305
(53,070)	(18,059)	-	(410,704)
-	-	-	-
-	-	-	(1,062)
(23,247)	(27,301)	-	(110,255)
-	-	-	345,931
-	-	-	(364,209)
-	(809)	-	(10,190)
(5,840)	(8,713)	-	-
-	-	-	-
(82,157)	(54,882)	-	(450,184)
-	-	(6,824)	(10,573)
-	-	4	9
-	-	-	-
-	(4,011)	-	(4,011)
-	-	-	-
-	(1,733)	-	(1,733)
-	6,771	-	6,771
-	-	-	(30)
-	1,027	(6,820)	(9,567)
(988,202)	(583,407)	-	(6,167,386)
973,485	593,495	-	6,305,303
2,698	497	17	4,298
(12,019)	10,585	17	142,215
-	(2,909)	7,642	(8,780)
-	3,126	20,763	73,411
-	217	28,405	64,631
1,538	(8,320)	(30,796)	(30,469)
-	-	6,964	7,649
1,255	349	-	(1,542)
585	377	-	3,831
(7)	64	-	(7,667)
6,512	6,132	47,187	-
(2,698)	(497)	(17)	(4,298)
23,247	29,034	-	111,988
61,819	20,926	-	217,855
1,925	(7,704)	(8,893)	11,409
94,176	40,361	14,445	308,756

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ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

Schedule 18**STATEMENT OF CASH FLOWS****REVOLVING FUNDS**

For the Year Ended June 30, 2012

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
<u>Cash flows from operating activities:</u>			
Interest income on mortgages and loans	3,832	-	3,832
Principal payments received on mortgages and loans	9,375	-	9,375
Purchases of mortgages and loans	(425,878)	-	(425,878)
Receipt (payment) for loan transfers between funds	381,967	-	381,967
Payments to employees and other payroll disbursements	(23,521)	-	(23,521)
Payments for goods and services	(15,718)	-	(15,718)
Cash received for externally funded programs	-	-	-
Cash received for Federal HAP subsidies	-	-	-
Payments for Federal HAP subsidies	-	-	-
Interfund Receipts	1,031,057	-	1,031,057
Interfund Payments	(1,021,919)	-	(1,021,919)
Grant payments to other agencies	(34,950)	-	(34,950)
Other operating cash receipts	43,166	8	43,174
Other operating cash payments	(20,167)	-	(20,167)
Net cash provided by (used for) operating activities	(72,756)	8	(72,748)
<u>Cash flows from noncapital financing activities:</u>			
Proceeds from the issuance of bonds	-	-	-
Principal paid on bonds	-	-	-
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(1,062)	-	(1,062)
Interest paid	(1,594)	-	(1,594)
Proceeds from issuance of short term debt	345,931	-	345,931
Payment of short term debt	(364,209)	-	(364,209)
Contributions to the State of Alaska or other State agencies	(9,381)	-	(9,381)
Transfers (to) from other funds	111,167	-	111,167
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	80,852	-	80,852
<u>Cash flows from capital financing activities:</u>			
Acquisition of capital assets	(3,749)	-	(3,749)
Proceeds from the disposal of capital assets	5	-	5
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	(30)	-	(30)
Net cash provided by (used for) capital financing activities	(3,774)	-	(3,774)
<u>Cash flows from investing activities:</u>			
Purchase of investments	(2,949,170)	(22,109)	(2,971,279)
Proceeds from maturity of investments	2,939,044	22,095	2,961,139
Interest received from investments	353	14	367
Net cash provided by (used for) investing activities	(9,773)	-	(9,773)
Net Increase (decrease) in cash	(5,451)	8	(5,443)
Cash at the beginning of year	41,087	365	41,452
Cash at the end of period	35,636	373	36,009
<u>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</u>			
Operating income (loss)	13,796	25	13,821
<u>Adjustments:</u>			
Depreciation expense	685	-	685
Provision for loan losses	(2,666)	-	(2,666)
Amortization of bond issuance costs	-	-	-
Net change in the fair value of investments	(7,710)	(4)	(7,714)
Transfers between funds for operating activity	(80,326)	-	(80,326)
Interest received from investments	(353)	(14)	(367)
Interest paid	1,594	-	1,594
<u>Changes in assets and liabilities:</u>			
Net increase (decrease) in mortgages and loans	(34,536)	-	(34,536)
Net increase (decrease) in assets and liabilities	36,760	1	36,761
Net cash provided by (used for) operating activities	(72,756)	8	(72,748)

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, 2012

(in thousands of dollars)

	Bonds 2001 A,B	Bonds 2009 A	Bonds 2009 A-1 2010 A, B	Bonds 2009 A-2 2011 A, B
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	790	-	5,761	5,273
Principal payments received on mortgages and loans	3,503	-	13,590	19,154
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	60	-	(25,923)	(102,684)
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	5,035	-	19,573	20,936
Interfund Payments	(4,293)	-	(19,397)	(24,485)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	5,095	-	(6,396)	(81,806)
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	100,305
Principal paid on bonds	(39,165)	-	(3,605)	(7,765)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(838)	(293)	(4,568)	(2,641)
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	25,892	(131,334)	(1,931)	32,295
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(14,111)	(131,627)	(10,104)	122,194
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(34,062)	(9)	(48,659)	(420,277)
Proceeds from maturity of investments	35,007	131,627	65,130	379,701
Interest received from investments	1	9	29	188
Net cash provided by (used for) investing activities	946	131,627	16,500	(40,388)
Net Increase (decrease) in cash	(8,070)	-	-	-
Cash at the beginning of year	8,070	-	-	-
Cash at the end of period	-	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	1,445	(262)	(990)	(6,289)
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(1,768)	-	645	6,310
Amortization of bond issuance costs	512	12	50	60
Net change in the fair value of investments	-	-	-	(2)
Transfers between funds for operating activity	(238)	250	1,630	3,024
Interest received from investments	(1)	(9)	(29)	(188)
Interest paid	838	293	4,568	2,641
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	3,563	-	(12,333)	(83,530)
Net increase (decrease) in assets and liabilities	744	(284)	63	(3,832)
Net cash provided by (used for) operating activities	5,095	-	(6,396)	(81,806)

Schedule 19

**Mortgage
Revenue
Bonds
Combined
Total**

11,824
36,247
-
(128,547)
-
-
-
-
45,544
(48,175)
-
-
-
<u>(83,107)</u>

100,305
(50,535)
-
-
(8,340)
-
-
-
(75,078)
-
<u>(33,648)</u>

-
-
-
-
-
-
-
-
-
<u>-</u>
<u>-</u>

(503,007)
611,465
227
<u>108,685</u>
(8,070)
8,070
<u>-</u>
<u>-</u>

(6,096)
-
5,187
634
(2)
4,666
(227)
8,340
(92,300)
(3,309)
<u>(83,107)</u>
<u>(83,107)</u>

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, 2012

(in thousands of dollars)

	Bonds 2002 A,B	Bonds 2006 A	Bonds 2006 B	Bonds 2006 C
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	7,997	2,496	1,638	1,768
Principal payments received on mortgages and loans	32,577	14,004	8,204	11,172
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(5,225)	542	104	1,172
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	39,290	16,159	10,373	13,663
Interfund Payments	(40,668)	(16,540)	(9,865)	(12,971)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	166,629	-	-	-
Other operating cash payments	(166,629)	-	-	-
Net cash provided by (used for) operating activities	33,971	16,661	10,454	14,804
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(22,275)	(14,240)	(23,660)	(30,135)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(6,192)	(2,496)	(1,513)	(1,719)
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	(2,854)	-	14,360	17,375
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(31,321)	(16,736)	(10,813)	(14,479)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(200,905)	(33,680)	(28,610)	(44,022)
Proceeds from maturity of investments	198,128	33,742	28,960	43,685
Interest received from investments	127	13	9	12
Net cash provided by (used for) investing activities	(2,650)	75	359	(325)
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)	(2,222)	(147)	(175)	606
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(615)	(257)	(70)	(689)
Amortization of bond issuance costs	131	130	202	247
Net change in the fair value of investments	(2)	-	-	-
Transfers between funds for operating activity	2,723	523	367	365
Interest received from investments	(127)	(13)	(9)	(12)
Interest paid	6,192	2,496	1,513	1,719
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	27,352	14,546	8,308	12,344
Net increase (decrease) in assets and liabilities	539	(617)	318	224
Net cash provided by (used for) operating activities	33,971	16,661	10,454	14,804

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
3,047	3,201	2,621	3,803	2,148	2,778	3,703
18,957	17,719	12,710	20,682	12,727	13,943	27,976
-	-	-	-	-	-	-
(13,126)	(8,650)	978	(11,129)	1,063	600	(11,908)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,877	20,818	15,285	24,502	15,119	16,199	31,973
(22,055)	(20,968)	(15,366)	(24,541)	(14,910)	(16,760)	(31,752)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,700	12,120	16,228	13,317	16,147	16,760	19,992
-	-	-	-	-	-	-
-	-	(31,560)	-	(36,335)	(34,735)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(2,730)	(2,747)	(2,286)	(3,261)	(1,844)	(2,434)	(2,892)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(15,885)	(19,718)	19,381	(21,165)	23,406	22,736	(25,114)
-	-	-	-	-	-	-
(18,615)	(22,465)	(14,465)	(24,426)	(14,773)	(14,433)	(28,006)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(53,014)	(48,265)	(37,290)	(59,431)	(35,670)	(38,685)	(70,665)
63,895	58,582	35,517	70,507	34,287	36,347	78,645
34	28	10	33	9	11	34
10,915	10,345	(1,763)	11,109	(1,374)	(2,327)	8,014
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(434)	(485)	460	(692)	393	(12)	5
-	-	-	-	-	-	-
(143)	66	(764)	186	(560)	(361)	(283)
7	4	259	6	249	294	8
(1)	-	-	(1)	-	-	(1)
851	834	553	1,003	429	553	1,073
(34)	(28)	(10)	(33)	(9)	(11)	(34)
2,730	2,747	2,286	3,261	1,844	2,434	2,892
5,831	9,069	13,688	9,553	13,790	14,543	16,068
(1,107)	(87)	(244)	34	11	(680)	264
7,700	12,120	16,228	13,317	16,147	16,760	19,992

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ALASKA HOUSING FINANCE CORPORATION

(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, 2012

(in thousands of dollars)

Schedule 20

	Bonds 2009 B	Bonds 2009 C	Bonds 2009 D	Home Mortgage Revenue Bonds Combined Total
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	3,742	3,712	4,081	46,735
Principal payments received on mortgages and loans	24,935	8,747	23,648	248,001
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	(12,204)	570	(14,183)	(71,396)
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	28,030	12,728	27,381	292,397
Interfund Payments	(28,743)	(12,487)	(27,794)	(295,420)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	166,629
Other operating cash payments	-	-	-	(166,629)
Net cash provided by (used for) operating activities	15,760	13,270	13,133	220,317
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	(31,360)	-	(224,300)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(2,885)	(2,770)	(2,926)	(38,695)
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	(23,879)	21,317	(23,376)	(13,416)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(26,764)	(12,813)	(26,302)	(276,411)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(65,126)	(23,489)	(55,431)	(794,283)
Proceeds from maturity of investments	76,097	23,021	68,567	849,980
Interest received from investments	33	11	33	397
Net cash provided by (used for) investing activities	11,004	(457)	13,169	56,094
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)	(155)	(43)	(373)	(3,274)
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(56)	108	(174)	(3,612)
Amortization of bond issuance costs	7	274	8	1,826
Net change in the fair value of investments	(1)	-	(1)	(7)
Transfers between funds for operating activity	1,088	744	1,733	12,839
Interest received from investments	(33)	(11)	(33)	(397)
Interest paid	2,885	2,770	2,926	38,695
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	12,731	9,317	9,465	176,605
Net increase (decrease) in assets and liabilities	(706)	111	(418)	(2,358)
Net cash provided by (used for) operating activities	15,760	13,270	13,133	220,317

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, 2012

(in thousands of dollars)

	Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Collateralized Bonds 2006 First Series	Collateralized Bonds 2007 & 2008 First Series
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	422	419	10,786	3,078
Principal payments received on mortgages and loans	2,677	4,031	73,766	16,737
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	900	24	(14,056)	1,262
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	3,344	4,149	80,900	19,045
Interfund Payments	(3,100)	(4,461)	(84,749)	(19,862)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	-	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	4,243	4,162	66,647	20,260
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(8,490)	(3,070)	(38,705)	(14,475)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(297)	(251)	(8,011)	(2,519)
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	4,437	(596)	(9,350)	(2,611)
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(4,350)	(3,917)	(56,066)	(19,605)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(13,305)	(7,102)	(242,539)	(64,262)
Proceeds from maturity of investments	13,410	6,855	231,889	63,585
Interest received from investments	2	2	69	22
Net cash provided by (used for) investing activities	107	(245)	(10,581)	(655)
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)	149	(85)	1,693	901
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	(98)	(24)	(979)	(954)
Amortization of bond issuance costs	83	-	179	147
Net change in the fair value of investments	-	-	(1)	-
Transfers between funds for operating activity	(22)	289	2,132	591
Interest received from investments	(2)	(2)	(69)	(22)
Interest paid	297	251	8,011	2,519
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	3,577	4,055	59,710	17,999
Net increase (decrease) in assets and liabilities	259	(322)	(4,029)	(921)
Net cash provided by (used for) operating activities	4,243	4,162	66,647	20,260

Schedule 21

Combined Total
14,705
97,211
-
(11,870)
-
-
-
-
107,438
(112,172)
-
-
-
<u>95,312</u>
-
(64,740)
-
-
(11,078)
-
-
-
(8,120)
-
<u>(83,938)</u>
-
-
-
-
-
-
-
-
<u>-</u>
<u>-</u>
(327,208)
315,739
95
<u>(11,374)</u>
-
-
<u>-</u>
<u>-</u>
2,658
-
(2,055)
409
(1)
2,990
(95)
11,078
85,341
(5,013)
<u>95,312</u>
<u>95,312</u>

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, 2012

(in thousands of dollars)

	Senior Housing Revolving Loan Fund	Housing Development Bonds	General Mortgage Revenue Bonds 2002 A	Governmental Purpose Bonds 1997 A
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	626	14,496	6,248	310
Principal payments received on mortgages and loans	1,984	40,143	29,966	1,190
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	8,239	(41,980)	(20,375)	-
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	2,681	59,685	34,859	-
Interfund Payments	(2,615)	(56,039)	(36,289)	-
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	1	-
Other operating cash payments	-	-	-	-
Net cash provided by (used for) operating activities	10,915	16,305	14,410	1,500
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	-	(12,300)	(36,150)	-
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	-	(11,849)	(6,995)	(15)
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	-	(5,598)	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	(29,747)	(43,145)	(15)
<u>Cash flows from capital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(124,612)	(307,997)	(188,252)	(16,930)
Proceeds from maturity of investments	113,655	321,372	216,858	15,432
Interest received from investments	42	67	129	13
Net cash provided by (used for) investing activities	(10,915)	13,442	28,735	(1,485)
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)	944	(2,364)	(2,435)	2
Adjustments:				
Depreciation expense	-	-	-	-
Provision for loan losses	(331)	2,329	80	-
Amortization of bond issuance costs	-	206	274	8
Net change in the fair value of investments	(1)	(1)	(1)	-
Transfers between funds for operating activity	12	2,689	1,820	192
Interest received from investments	(42)	(67)	(129)	(13)
Interest paid	-	11,849	6,995	15
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	10,223	(1,837)	9,591	1,190
Net increase (decrease) in assets and liabilities	110	3,501	(1,785)	106
Net cash provided by (used for) operating activities	10,915	16,305	14,410	1,500

Schedule 22

Governmental Purpose Bonds 2001 A-D	Combined Total
8,156	29,836
41,828	115,111
-	-
824	(53,292)
-	-
-	-
-	-
-	-
50,341	147,566
(50,103)	(145,046)
-	-
-	1
-	-
<u>51,046</u>	<u>94,176</u>
-	-
(4,620)	(53,070)
-	-
-	-
(4,388)	(23,247)
-	-
-	-
-	-
(242)	(5,840)
-	-
<u>(9,250)</u>	<u>(82,157)</u>
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
(350,411)	(988,202)
306,168	973,485
2,447	2,698
<u>(41,796)</u>	<u>(12,019)</u>
-	-
-	-
-	-
-	-
5,391	1,538
-	-
(823)	1,255
97	585
(4)	(7)
1,799	6,512
(2,447)	(2,698)
4,388	23,247
42,652	61,819
(7)	1,925
<u>51,046</u>	<u>94,176</u>

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, 2012

(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
<u>Cash flows from operating activities:</u>				
Interest income on mortgages and loans	2,562	4,597	1,853	5,594
Principal payments received on mortgages and loans	14,938	23,997	11,764	22,198
Purchases of mortgages and loans	-	-	-	-
Receipt (payment) for loan transfers between funds	-	(15,317)	(8,049)	(13,189)
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	18,467	28,156	13,455	27,310
Interfund Payments	(17,542)	(28,661)	(13,648)	(27,856)
Grant payments to other agencies	-	-	-	-
Other operating cash receipts	-	-	1,876	-
Other operating cash payments	-	-	(2,127)	-
Net cash provided by (used for) operating activities	18,425	12,772	5,124	14,057
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(438)	(1,695)	(3,270)	(6,320)
Payment to defease bonds	-	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid	(356)	(4,210)	(4,091)	(4,870)
Proceeds from issuance of short term debt	-	-	-	-
Payment of short term debt	-	-	-	-
Contributions to the State of Alaska or other State agencies	(533)	-	-	-
Transfers (to) from other funds	(5,528)	(1,565)	-	-
Other cash payments	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(6,855)	(7,470)	(7,361)	(11,190)
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	-	-	-	-
Proceeds from the disposal of capital assets	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-
Principal paid on capital notes	(3,942)	-	-	-
Payment of bond issuance costs	-	-	-	-
Interest paid on capital notes	(1,316)	-	-	-
Proceeds from the direct financing lease payments	-	-	3,304	-
Other cash payments	-	-	-	-
Net cash provided by (used for) capital financing activities	(5,258)	-	3,304	-
<u>Cash flows from investing activities:</u>				
Purchase of investments	(68,854)	(89,643)	(88,268)	(66,795)
Proceeds from maturity of investments	62,383	84,315	86,920	63,902
Interest received from investments	159	26	30	26
Net cash provided by (used for) investing activities	(6,312)	(5,302)	(1,318)	(2,867)
Net Increase (decrease) in cash	-	-	(251)	-
Cash at the beginning of year	-	-	394	-
Cash at the end of period	-	-	143	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(2,487)	(332)	(983)	1,338
<i>Adjustments:</i>				
Depreciation expense	-	-	-	-
Provision for loan losses	(280)	(196)	54	(645)
Amortization of bond issuance costs	74	30	52	90
Net change in the fair value of investments	25	-	(1)	-
Transfers between funds for operating activity	555	959	448	1,027
Interest received from investments	(159)	(26)	(30)	(26)
Interest paid	1,672	4,210	4,091	4,870
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	14,938	8,680	3,715	9,009
Net increase (decrease) in assets and liabilities	4,087	(553)	(2,222)	(1,606)
Net cash provided by (used for) operating activities	18,425	12,772	5,124	14,057

Schedule 23

General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
6,820	4,764	26,190
30,543	34,348	137,788
-	-	-
(41,321)	(38,986)	(116,862)
-	-	-
-	-	-
-	-	-
-	-	-
35,606	37,520	160,514
(37,450)	(39,203)	(164,360)
-	-	-
-	74	1,950
-	(2,732)	(4,859)
(5,802)	(4,215)	40,361
-	-	-
(1,081)	(5,255)	(18,059)
-	-	-
-	-	-
(6,540)	(7,234)	(27,301)
-	-	-
-	-	-
(276)	-	(809)
(1,620)	-	(8,713)
-	-	-
(9,517)	(12,489)	(54,882)
-	-	-
-	-	-
-	-	-
(69)	-	(4,011)
-	-	-
(417)	-	(1,733)
-	3,467	6,771
-	-	-
(486)	3,467	1,027
(145,294)	(124,553)	(583,407)
160,913	135,062	593,495
186	70	497
15,805	10,579	10,585
-	(2,658)	(2,909)
-	2,732	3,126
-	74	217
(1,541)	(4,315)	(8,320)
-	-	-
237	1,179	349
41	90	377
41	(1)	64
1,628	1,515	6,132
(186)	(70)	(497)
6,957	7,234	29,034
(10,778)	(4,638)	20,926
(2,201)	(5,209)	(7,704)
(5,802)	(4,215)	40,361

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, 2012

(in thousands of dollars)

	Energy Programs	Low Rent Program	Affordable Housing Programs	Section 8 Vouchers Programs
<u>Cash flows from operating activities:</u>				
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	(1,606)	(7,222)	(1,479)	(3,146)
Payments for goods and services	(5,686)	(7,385)	(1,554)	(403)
Cash received for externally funded programs	108,518	13,104	2,249	3,750
Cash received for Federal HAP subsidies	-	-	-	34,214
Payments for Federal HAP subsidies	-	-	-	(32,798)
Interfund Receipts	108,611	14,774	2,994	3,486
Interfund Payments	(106,517)	(17,178)	(3,236)	(3,072)
Grant payments to other agencies	(94,938)	-	-	-
Other operating cash receipts	329	6,331	2,175	248
Other operating cash payments	-	(32)	(1)	(129)
Net cash provided by (used for) operating activities	8,711	2,392	1,148	2,150
<u>Cash flows from noncapital financing activities:</u>				
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	-	-	-	-
<u>Cash flows from capital financing activities:</u>				
Acquisition of capital assets	(6,383)	(421)	-	(20)
Proceeds from the disposal of capital assets	-	3	-	1
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	(6,383)	(418)	-	(19)
<u>Cash flows from investing activities:</u>				
Purchase of investments	-	-	-	-
Proceeds from maturity of investments	-	-	-	-
Interest received from investments	3	3	2	9
Net cash provided by (used for) investing activities	3	3	2	9
Net Increase (decrease) in cash	2,331	1,977	1,150	2,140
Cash at the beginning of year	1,559	10,024	6,433	2,744
Cash at the end of period	3,890	12,001	7,583	4,884
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	3,207	(4,735)	(1,547)	1,262
<i>Adjustments:</i>				
Depreciation expense	4	5,757	1,189	14
Provision for loan losses	-	-	-	-
Amortization of bond issuance costs	-	-	-	-
Net change in the fair value of investments	-	-	-	-
Transfers between funds for operating activity	2,213	2,787	1,143	(61)
Interest received from investments	(3)	(3)	(2)	(9)
Interest paid	-	-	-	-
<i>Changes in assets and liabilities:</i>				
Net increase (decrease) in mortgages and loans	-	-	-	-
Net increase (decrease) in assets and liabilities	3,290	(1,414)	365	944
Net cash provided by (used for) operating activities	8,711	2,392	1,148	2,150

Schedule 24

Other Grants	Combined Total
-	-
-	-
-	-
-	-
(898)	(14,351)
(354)	(15,382)
16,088	143,709
-	34,214
-	(32,798)
20,903	150,768
(18,189)	(148,192)
(18,327)	(113,265)
1,845	10,928
(1,024)	(1,186)
<u>44</u>	<u>14,445</u>

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>

-	(6,824)
-	4
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>(6,820)</u>

-	-
-	-
-	17
<u>-</u>	<u>17</u>

44	7,642
3	20,763
<u>47</u>	<u>28,405</u>

(28,983)	(30,796)
-	6,964
-	-
-	-
-	-
41,105	47,187
-	(17)
-	-
-	-
(12,078)	(8,893)
<u>44</u>	<u>14,445</u>

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APPENDIX B

FORMS OF OPINIONS 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 \$86,765,000 aggregate principal amount of State Capital Project Bonds II, 2013 Series A (the “2013 Series A 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 2013 Series A Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted April 3, 2013 and are issued pursuant to the Indenture by and between the Corporation and U.S. Bank, National Association, as trustee (the “Trustee”), dated as of October 1, 2012, and the 2013 Series A Supplemental Indenture by and between the Corporation and the Trustee, dated as of May 1, 2013, executed pursuant to said Indenture (together, the “Indenture”).

The 2013 Series A 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 2013 Series A Bonds in order for interest on the 2013 Series A 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 (the “Code”). The Corporation has covenanted that it will comply with such requirements and that it will do all things permitted by law and necessary or desirable to ensure that interest on the 2013 Series A Bonds will be, and remain, not included in gross income for Federal income tax purposes, under Section 103 of the Code. 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 Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 as to matters affecting the tax-exempt status of the 2013 Series A Bonds 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 2013 Series A 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. 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 2013 Series A 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.

5. The 2013 Series A 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.

6. Under existing statutes and court decisions, interest on the 2013 Series A Bonds is excluded from gross income for Federal income tax purposes.

7. Interest on the 2013 Series A Bonds 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 2013 Series A 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 express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2013 Series A Bonds.

8. Under existing laws, interest on the 2013 Series A 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 estate and inheritance taxes and taxes of transfers by or in anticipation of death).

9. 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 2013 Series A Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Very truly yours,

Law Office of Kenneth E. Vassar, LLC

By: _____

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 \$50,000,000 aggregate principal amount of State Capital Project Bonds II, 2013 Series B (the “2013 Series B 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 2013 Series B Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted April 3, 2013, and are issued pursuant to the Indenture by and between the Corporation and U.S. Bank, National Association, as trustee (the “Trustee”), dated as of October 1, 2012, and the 2013 Series B Supplemental Indenture by and between the Corporation and the Trustee, dated as of May 1, 2013, executed pursuant to said Indenture (together, the “Indenture”).

The 2013 Series B 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.

As to any facts material to our opinion, we have relied upon various statements and representations of officers and other representatives of the Corporation 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 2013 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. 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 2013 Series B 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.

5. The 2013 Series B 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.

6. Interest on the 2013 Series B 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 2013 Series B Bonds.

7. Under existing laws, interest on the 2013 Series B 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 estate and inheritance taxes and taxes of transfers by or in anticipation of death).

Very truly yours,

Law Office of Kenneth E. Vassar, LLC

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**FORM OF OPINION OF SPECIAL TAX COUNSEL
WITH RESPECT TO THE 2013 SERIES A BONDS**

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504

\$86,765,000
Alaska Housing Finance Corporation
State Capital Project Bonds II
2013 Series A

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale of \$86,765,000 aggregate principal amount of Alaska Housing Finance Corporation State Capital Project Bonds II, 2013 Series A (the “Bonds”). The Bonds will be issued pursuant to the State Capital Project Bonds II Indenture by and between the Alaska Housing Finance Corporation (the “Corporation”) and U.S. Bank, National Association, as trustee (the “Trustee”), dated as of October 1, 2012 (the “Indenture”), and the 2013 Series A Supplemental Indenture by and between the Corporation and the Trustee, dated as of May 1, 2013, authorizing the issuance of the Bonds (the “Supplemental Indenture”). Capitalized terms not otherwise defined herein are used as defined in the Indenture and the Supplemental Indenture.

In connection with the issuance of the Bonds, we have examined the Indenture and the Supplemental Indenture, the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the “Tax Certificate”) 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, the Supplemental Indenture and the Tax Certificate designed to meet the requirements of the Internal Revenue Code of 1986 (the “Code”), under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for Federal income tax purposes.

We are further of the opinion that interest on the Bonds 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 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 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 the Law Office of Kenneth E. Vassar, LLC as to the validity of the Bonds under the Constitution and laws of the State of Alaska.

Very truly yours,

/s/ Kutak Rock LLP

FORM OF CONTINUING DISCLOSURE CERTIFICATES

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the Alaska Housing Finance Corporation (the “Corporation”) in connection with the issuance of \$ _____ aggregate principal amount of its State Capital Project Bonds II, 2013 Series ____ (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 October 1, 2012 (the “Master Indenture”), and a 2013 Series ____ Supplemental Indenture, dated as of _____ 1, 2013, by and between the Corporation and the Trustee (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 April __, 2013.

“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, 2013) 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) the amount and type of the investments (and cash) in the accounts and subaccounts established in the Indenture, (iv) the outstanding principal balances of each maturity of Subject Bonds and the sinking fund installment amounts as applicable, and (v) 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.

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.

[†] 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 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: _____, 2013

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: \$_____ State Capital Project Bonds II,
 2013 Series ____

Date of Issuance: _____, 2013

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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