ALASKA HOUSING FINANCE CORPORATION
BOARD OF DIRECTORS
REGULAR BOD MEETING IN ANCHORAGE

June 29, 2016 10:00 a.m.

Anchorage/Fairbanks/Juneau

ROLL CALL

APPROVAL OF AGENDA

MINUTES: May 25, 2016

Next Resolution: #16-13

PUBLIC COMMENTS

OLD BUSINESS:

NEW BUSINESS:

A. Consideration of a term loan in the amount of $4,560,000 for the long term financing of a newly constructed 32 unit multifamily apartment complex to be known as “Bella Terra Apartments” and located in Anchorage, Alaska.

B. Consideration of a term loan in the amount of $2,907,750 for the long term financing for the acquisition and rehabilitation of a 65 unit mixed-use multifamily apartment complex to be known as “Juneau Super 8” and located in Juneau, Alaska.

C. Consideration of a term loan in the amount of $3,294,000 for the long term financing for the acquisition of a 51 unit affordable multifamily apartment complex known as “Parkwood Apartments” and located in Anchorage, Alaska.

D. Consideration of a resolution of the Alaska Housing Finance Corporation authorizing the issuance of up to $60 million Collateralized Bonds (Veterans Mortgage Program), 2016 Series.

E. Review and approval of the FY2017 Operating Budget Details for the Low-Rent Asset Management Developments (AMPs) and the Central Office Cost Center (COCC).

F. Approval to move the appropriated funding out of the project reserves and into the associated Capital Project program accounts for the Facility Management program.

G. A report from the Resident Advisory Board to the AHFC Board of Directors.

REPORT OF THE CHAIR

BOARD COMMITTEE REPORTS: AUDIT

REPORT OF THE EXECUTIVE DIRECTOR

ANY OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD

X. Monthly Reports – Finance, Mortgage, R2D2, PHD, Meeting Schedules

XI. EXECUTIVE SESSION: Corporation’s operational matters that may have an impact on the Corporation’s financial matters. Board action related to this matter, if any, will take place in the public session following the Executive Session.

**The Chair may announce changes in the Order of Business during the meeting.

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ALASKA HOUSING FINANCE CORPORATION
BOARD OF DIRECTORS

REGULAR MEETING

May 25, 2016 10:00 a.m.
Anchorage/Juneau/Fairbanks

The Board of Directors of Alaska Housing Finance Corporation met May 25, 2016, 2016 in the AHFC board room, 4300 Boniface Parkway in Anchorage, AK at 10:00 a.m. Board members present were:

BRENT LEVALLEY Anchorage	**BOARD CHAIR** **Member of the Board**
MARTY SHURAVLOFF Anchorage	**BOARD VICE CHAIR** **Member of the Board**
ALAN WILSON Via teleconference	**Member of the Board**
TARA HORTON Via teleconference	**Designee for Commissioner** **Department of Health** **& Social Services** **Member of the Board**
JERRY BURNETT Via teleconference	**Designee for Commissioner** **Department of Revenue** **Member of the Board**

I. ROLL CALL. A quorum was declared present and the meeting was duly and properly convened for the transaction of business.

II. APPROVAL OF AGENDA. CHAIR LEVALLEY proposed the agenda be amended to withdraw agenda item A per staff request. Seeing and hearing no objections, the agenda was approved as amended.

III. MINUTES OF APRIL 27, 2016. CHAIR LEVALLEY asked for revisions or acceptance of the minutes. BRYAN BUTCHER ask that Commissioner Hladicks first name on page one of the minutes be amended to Chris and not Mike. Seeing and hearing no objection, the minutes were approved as amended.

IV. PUBLIC COMMENTS. In Anchorage: no public were present. In Fairbanks: no public were present. In Juneau: no public were present.

V. OLD BUSINESS. No Old Business to discuss with the Board.

VI. A. CONSIDERATION OF A TERM LOAN FINANCING REQUEST IN THE AMOUNT OF $2,907,750 FOR THE ACQUISITION AND REHABILITATION OF AN AFFORDABLE MIXED-USE MULTIFAMILY PROJECT CONTAINING 65 UNITS AND KNOWN AS "JUNEAU SUPER 8" LOCATED IN JUNEAU, ALASKA. **ITEM WITHDRAWN BY STAFF.**

VI. B. CONSIDERATION OF A RESOLUTION TO ADOPT THE SFY2017 ANNUAL ACTION PLAN. BRYAN BUTCHER introduced the item and MARK ROMICK and OSCAR CEDANO presented. Mr. Romick stated that staff requests Board approval of this Consolidated Housing and Community Development Plan for the State of Alaska, SFY2017 (FFY2016) Annual Action Plan. After Board approval, staff will submit the SFY2017 Annual Action Plan to the U.S. Department of Housing and Urban Development for final review and approval. The nearly year-long process to develop the SFY2017 AAP began with review of annual data regarding current housing and community development conditions, and housing and community development needs. On January 26, 2016, the Interagency Steering Committee was convened. At this meeting, the Steering Committee members reviewed annually updated information, projected activities, funding estimates and the timeline for producing the SFY2017 AAP. Public input into the AAP was accomplished according to the HUD approved Citizen Participation Plan. Before release of the draft AAP for the 30-day required public comment period beginning on March 17, 2016, a number of citizen participation activities occurred. Three Public Hearings, teleconferenced statewide, on March 16, April 5, and May 6, 2016 respectively. Notifications of the three Public Hearings and the availability of the Draft AAP for public comment were posted on the AHFC's website and Facebook pages, emailed to individuals and organizations using several AHFC list serves that reach approximately 400 recipients and advertised in all of the state's major newspapers. Seven comments from the public were received through May 20, 2016. Mr. Romick wanted it noted that there was a typo error on page 5 of the Action Plan and it should be 30 Years and not 30 days. Discussion followed. MARTY SHURAVLOFF made a motion to approve Resolution 2016-09. JERRY BURNETT seconded the motion. The resolution was unanimously approved. (5-0)

RESOLUTION #2016-09

RESOLUTION ADOPTING THE STATE FISCAL YEAR 2017 (FFY2016) ANNUAL ACTION PLAN FOR THE CONSOLIDATED HOUSING AND COMMUNITY DEVELOPMENT PLAN FOR THE STATE OF ALASKA, SFY2016-2020, AND DIRECTING STAFF TO FILE THE

PLAN WITH THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

VI. C. CONSIDERATION OF A RESOLUTION APPROVING THE GOAL PROGRAM RATING AND AWARD CRITERIA. BRYAN BUTCHER introduced the item and MARK ROMICK and DANIEL DELFINO presented. Mr. Romick stated that as an allocating agency under the Low Income Housing Tax Credit Program (LIHTC), AHFC is required to have a plan that outlines the process it will use to prioritize, evaluate and award applications for the LIHTC. On a periodic basis, this allocation plan (GOAL Program Rating and Award Criteria, or the "Plan") is reviewed to insure its consistency with planning documents and changes to the affordable housing market. The proposed changes to the GOAL Program Rating and Award Criteria have been collectively developed in response to Public Comments received since implementation of the current Criteria in 2013, the observations of staff regarding the current criteria’s conformance to existing markets, federal guidance provided for allocating the NHTF resources and AHFC’s ongoing effort to mitigate cost escalations. Staff’s feels the proposed Rating and Award Criteria will benefit program performance and facilitate efficient development practices across the State. Discussion followed. MARTY SHURAVLOFF made a motion to approve Resolution 2016-10. TARA HORTON seconded the motion. The resolution was unanimously approved. (5-0)

RESOLUTION #2016-10

A RESOLUTION APPROVING THE RATING CRITERIA TO THE RATING AND AWARD CRITERIA PLAN VERSION DATED MAY 25, 2016, ALSO KNOWN AS THE QUALIFIED ALLOCATION PLAN, FOR USE WITH THE GREATER OPPORTUNITIES FOR AFFORDABLE LIVING (GOAL) PROGRAM.

VI. D. CONSIDERATION OF A RESOLUTION TO MODIFY AND EXTEND ITS MOVING TO WORK AGREEMENT WITH THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT THROUGH JUNE 2028. BRYAN BUTCHER introduced the item and CATHY STONE presented. MS. Stone stated that The Moving to Work Agreement (Agreement) between AHFC and the U.S. Department of Housing and Urban Development (HUD) began June 2008 and had a ten year time limit. Under that Agreement, AHFC’s Moving to Work designation was set to expire at the close of the fiscal year in 2018. In December 2015 Congress extended the Moving to Work Demonstration another ten years through 2028 so that Public Housing Authorities could continue to use the flexibilities it provides. Staff recommends Board approval to extend is Moving to Work Agreement with HUD until the end of our fiscal year 2028. Discussion followed. MARTY SHURAVLOFF made a motion to approve Resolution 2016-11. ALAN WILSON seconded the motion. The resolution was unanimously approved. (5-0)

RESOLUTION #2016-11

RESOLUTION OF THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE CORPORATION TO APPROVE THE PUBLIC HOUSING DIVISION MOVING TO WORK EXTENSION.

VII. REPORT OF THE CHAIR. CHAIR LEVALLEY stated that the next AHFC Board of Directors meeting will be June 29, 2016 in Anchorage and that the July 20th meeting has been moved to July 27th also in Anchorage.

VIII. BOARD COMMITTEE REPORTS. There were no Committee reports to present to the Board.

IX. REPORT OF THE EXECUTIVE DIRECTOR. BRYAN BUTCHER reported on: 1.) Legislative Update; 2.) T-HUD Bill update; 3.) TAO281 Updates; 4.) Alaska Council on Homelessness Meeting Thurs 5/19; 5.) Retirements of Mike Buller, Brenda Glaze, Dave Maiden and Judy Carr; 6.) Deputy Assistant HUD Secretary for Public & Indian Housing Lourdes Casatro Ramirez visit Mon-Tues 6/20-21; 7.) AHFC Picnic, Abbott Loop Community Park Sat 6/18; 8.) Governor's Housing Summit next Steps Thurs 6/23.

X. OTHER MATTERS. CHAIR LEVALLEY asked if there were any other matters to properly come before the board.

1. Monthly Loan Reports. Finance, Mortgage, R2D2 and Public Housing reports were presented for discussion and review.

2. Schedule of Board Meetings:

AHFC Audit Committee Meeting	June 29, 2016	8:30am	Anchorage
AHFC Regular BOD Meeting	June 29, 2016	10:00am	Anchorage

XI. EXECUTIVE SESSION: CORPORATION'S OPERATIONAL MATTERS THAT MAY HAVE AN IMPACT ON THE CORPORATION'S FINANCIAL MATTERS. It was determined no Executive Session was required.

XII. OTHER MATTERS. CHAIR LEVALLEY asked if there were any other matters to properly come before the board. MARTY SHURAVLOFF made a motion to adjourn. Seeing and hearing no objections, the meeting was adjourned at 10:40 a.m.

ATTESTED:

Brent LeValley Board Chair	Bryan Butcher CEO/Executive Director

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BOARD CONSIDERATION MEMORANDUM

MULTI-FAMILY LOAN PURCHASE PROGRAM

Date: June 29, 2016 **Staff: Eric A. Havelock**

Lender: Northrim Bank

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BORROWER:	Anchorage Pacific Associates, LLC
CO-BORROWER(S):	C&R Development, LLC; AMG & Associates, LLC; Pacific West Communities, Inc.; Cameron Johnson; Robert Yundt; Alexis Gevorgian; Caleb Roope
PROPOSAL OVERVIEW:	Term financing for the development of a 32 unit multi-family apartment complex to be located at 7421 East 4th Avenue in Anchorage Alaska.

Loan Amount:	$ 4,560,000
Project Value:	$ 5,700,000
Appraised By:	Brian Z. Bethard, MAI and Michael Forsland with Black-Smith, Bethard & Carlson, LLC. (See Appendix I)
Loan to Value Ratio:	80% (Appraised Value)
Loan Terms:	Fixed monthly payments based on a 30 year amortization.
Interest Rate:	5.375 % fixed (Seven year balloon amortized over 30 years)*
Principal Balance at Maturity:	$ 4,040,280.07 (after seven years of payments)

* Rate is determined at the time of underwriting based on what AHFC believes would be the cost of a seven (7) year taxable bond plus administrative and anticipated servicing costs, if it sold bonds at that time;

Debt Service Coverage Ratio: 1.40

(A debt service coverage ratio is the net income available after paying expenses divided by the loan payment and is used as an indication of profitability.)

Sources and Uses of Funds:

Sources:	
Loan Amount:	$ 4,560,000
Borrower's Funds:	$ 1,526,069
Total Sources:	$ 6,086,069
Uses:	
Development Costs:	$ 6,086,069 (See Appendix II)

BORROWER ORGANIZATION: Description & Background:

Anchorage Pacific Associates, LLC: an Alaska limited liability company formed in July, 2014 as a holding entity for properties acquired and developed in Anchorage, membership shares are held equally between C&R Development, LLC; AMG & Associated, LLC; and Pacific West Communities, Inc.

C&R Development, LLC: an Alaska limited liability company formed in June, 2014 for the development of multifamily housing, membership shares are held equally between Cameron Johnson and Robert Yundt.

AMG & Associates, LLC: a California limited liability company formed in January, 2001 for the development of real estate, membership shares are held solely by Alexis Gevorgian.

Pacific West Communities, Inc.: an Idaho sub-s corporation formed in September, 2004 for the purpose of developing real estate, ownership shares are held solely by Caleb Roope. Pacific West Communities, Inc will be acting as the developer for this project.

Cameron Johnson: Mr. Johnson has 12 years of experience in real estate finance, acquisitions, land planning and development. .

Robert Yundt: Mr. Yundt has been a general contractor in Alaska since 2004 and has successfully completed over 50 properties. He will be the general contractor for this project.

Alexis Gevorgian: Mr. Gevorgian has 19 years of experience in real estate finance, acquisitions, land planning and development. He was previously employed as a financial analyst for Bank of California and Calmark Development Corporation working out of Los Angeles. His experience includes commercial and residential property development.

Caleb Roope: Mr. Roope owns and operates Pacific West Communities, Inc and has successfully developed multifamily property since 1991. (See Appendix III.)

Financial Information:

Anchorage Pacific Associates, LLC: as a sole-asset entity created to hold and operate the subject property, financial information reflects (i) total assets: $5,700,000; (ii) total liabilities: $4,560,000; (iii) net worth; $1,140,000. The property is projected to generate $80,038 in annual cash flow.

C&R Development, LLC: multi-family loan application dated May 10, 2016 reflects (i) total assets: $1,881,000; (ii) total liabilities: $1,504,800; (iii) net worth; $376,200.

AMG & Associates, LLC: financial statements dated December 31, 2105 reflects (i) total assets: $5,647,701; (ii) total liabilities: $4,498,395; (iii) net worth; $1,149,306.

Pacific West Communities, Inc.: financial statements dated December 31, 2015 reflects (i) total assets: $28,800,000; (ii) total liabilities: $3,500,000; (iii) net worth; $25,300,000.

Cameron Johnson: multi-family loan application dated May 30, 2016 reflects (i) total assets: $12,337,973; (ii) total liabilities: $7,717,786; (iii) net worth; $4,620,187. Mr. Johnson's average income over the last three years according to his federal income tax return was $62,429.

Robert Yundt: multi-family loan application dated May 30, 2016 reflects (i) total assets: $11,701,855; (ii) total liabilities: $6,726,942; (iii) net worth; $4,974,913. Mr. Yundt's average income over the last three years according to his federal income tax return was $157,759.

Alexis Gevorgian: multi-family loan application dated May 30, 2016 reflects (i) total assets: $51,046,463; (ii) total liabilities: $4,427,907; (iii) net worth; $46,618,556. Mr. Gevorgian's average income over the last three years according to his federal income tax return was $241,489.

Caleb Roope: financial statements dated December 31, 2015 reflects (i) total assets: $56,603,943; (ii) total liabilities: $0; (iii) net worth; $56,603,943. Mr. Roope's average income over the last three years according to his federal income tax return was $9,736,131.

Credit History:

As a recently formed limited liability company, Anchorage Pacific Associates LLC has no record of credit. Recent credit reports reflect an acceptable credit history for Cameron Johnson, Robert Yundt, Alexis Gevorgian, and Caleb Roope. Anchorage Pacific Associates LLC and Caleb Roope do not have any loans with AHFC. Mr. Yundt, Mr. Gevorgian, and Mr. Johnson are members of three separate Alaska limited liability companies that have two loans with AHFC totaling $1,196,599 that are paying as agreed and two term loan commitments totaling $3,746,000.

PROJECT CHARACTERISTICS:

Description and Location:

The site is located at 7421 East 4th Avenue approximately five miles east of the Anchorage central business district, in an area known as Muldoon. The general neighborhood has a mixture of single family residences and multi-family developments. Access is via 4th Avenue, a paved, publicly maintained street. The subject site is rectangular in shape and contains 98,251 square feet and is level to street grade. It is served by all available public utilities which include; water, sewer, natural gas, electric, and telephone. (See Appendix IV.)

Project Overview:

The improvements will consist of four, 8-unit, two story wood-framed buildings which will each sit on a concrete block foundation and will be covered with vinyl siding and stone accents under an asphalt shingle roof. The unit interiors will be finished with painted, textured sheetrock, with carpet and vinyl plank floor coverings. Heat is provided by a gas-fired in-floor radiant heating system in each building. Laundry facilities consist of an in-unit washer-dryer. All buildings will be sprinklered. Each building will contain two interior stairwells for individual unit access. All units have the normal assortment of appliances, including dishwashers and disposals. The unit mix consists of sixteen, two-bedroom, two-bath units, each containing 1,003 square feet and renting for $1,550 per month; and, 16, three-bedroom, two-bath units each containing 1,273 square feet and renting for $1,800 per month. The tenants will be paying for their own electric and natural gas. Parking is provided by 62 open, paved parking spaces, which is considered to be adequate for a property of this size. The improvement, once built, will be considered to be a legal conforming use of the site under current zoning. The economic life of the improvement is estimated by the appraiser to be 50 years. (See Appendix IV.)

Soil Conditions:

An inspection of the property by the appraiser and lender did not indicate any apparent structural problems. The subject site, as developed, is therefore considered adequate to support the existing improvements.

Environmental Assessment:

The appraiser noted no environmental issues concerning the property. A Phase I Environmental Site Assessment report dated April 15, 2015 stated that there are no environmental issues with the property nor with the adjoining property. The environmental risk level is considered to be low. An environmental assessment questionnaire completed by the owner, dated May 23, 2016, states that there are no environmental concerns with the subject property. Staff concurs with the lender that no further investigation is warranted, noting that the project will be served by public water and sewer.

Health and Safety Inspection Report:

As this is new construction, a health & safety inspection report was not completed. It will be made a condition of commitment that the project receive unconditional certificates of occupancy issued by the Municipality of Anchorage, and that the Home Energy Rating Certificate (formally known as BEES) indicate a five star or better rating.

PROJECT OPERATIONS:

Property Income and Expense Statement:

The pro-forma operating statement, as prepared by the appraiser, is believed to reasonably depict the expected performance of the subject property. Rents are based on market rent comparables as chosen by the appraiser and are adjusted for differing amenities such as the lack of garages and the in-unit washer-dryer. A 6% vacancy and credit loss factor was used by the appraiser based on market rent comparable properties. A 7% property management expense was included, even though the property will be managed by the co-borrowers. The replacement reserve in the amount of $300, per unit, per year is considered to be average for property of this age, type, location, and condition and will facilitate ongoing property improvements. (See Appendix VI.)

Debt Service Coverage Ratio:

The debt service ratio has been established at 1.40, which allows for flexibility with regards to income, expenses, and vacancies. In addition to the 6% vacancy and credit loss factor, income could fall by 20%, or expenses could increase by 71% or some combination of both and there would still be sufficient funds to continue to pay the mortgage. Stated another way, the project could break even at a 25% vacancy rate. The ratio, by industry standards, is considered to be a very good ratio.

Property Management:

The property will be managed by the co-borrower, Robert Yundt. Staff concurs with the lender that the development group's credentials are acceptable to successfully manage the project, noting he has managed his own property since 2004. Additional assurance is provided in the deed of trust, which allows AHFC to take action in order to place a property manager if circumstances warrant. The loan servicer will also be performing annual monitoring of the borrower's management efforts.

SUMMARY:

The loan is believed to be an acceptable risk in consideration of the following:

1. The very good debt service coverage ratio of 1.40;
2. The loan to value of 80%; and
3. The co-borrowers have other sources of income that could be used to support the project should there be a reduction in income from the property.

RECOMMENDATION:

The request comes from Northrim Bank on behalf of the borrower. Staff recommends approval of this loan based upon: The subject's excellent cash flow at 1.40 debt coverage; loan to value of 80%; and subject to the conditions noted below:

1. Alaska Housing Finance Corporation (AHFC) to provide long-term financing in an amount not to exceed $4,560,000.00.

2. First deed of trust in the amount of $4,560,000 to be amortized over thirty years with fixed payments. Interest rate to be 5.375% fixed with a seven year term;

3. The Borrower to be : Anchorage Pacific Associates, LLC
   Co-Borrower(s) to be: C&R Development, LLC; AMG & Associates, LLC; Pacific West Communities, Inc.; Cameron Johnson; Robert Yundt; Alexis Gevorgian; and, Caleb Roope

4. A security position in the appropriate personal property, fixtures, furniture, and contracts, etc. will be taken;

5. Commitment to expire June 29, 2017 and an extension may be considered by staff, subject to extension guideline criteria and applicable extension fees;

6. A loan prepayment limitation to be imposed in accordance with AHFC's financing requirements;

7. Receipt and acceptance by AHFC of the following:

   a. the general contractor's warranty which at a minimum is for one (1) year for all work performed and materials provided as part of the construction contract;

   b. an unconditional Certificate of Occupancy issued by the Municipality of Anchorage unless otherwise approved by AHFC;

   c. evidence that the construction of the project was in compliance with the thermal and lighting energy standards as required by AS 46.11.040 and the building and energy efficiency standards of AHFC's regulations delineated in 15 AAC 155.010 - 155.030; in the form of a duly completed Home Energy Rating Certification (HERC) (AHFC Form PUR-101);

   d. a final appraisal inspection and certification that the project was built substantially in accordance with the accepted plans and specifications as identified in the original appraisal report, subject to any AHFC approved change orders;

   e. a detailed breakdown of final development costs as adjusted by change orders an updated As-Built Survey, it required by the title company;

   f. all required certificates and/or binders of insurance to be no less than $2,000,000 aggregate liability coverage; and,

   g. ALTA title policy with applicable endorsements;

8. Lender to have a lien interest in all personal property, fixtures, furniture and contracts;

9. Funds for the establishment of insurance, and property tax reserve accounts to be collected at closing;

10. A sustaining occupancy (1.25 DSCR) must be attained prior to AHFC funding the loan, or an escrow set up at closing to cover operational expenses. The amount of the operating deficit must be calculated on a month-to-month basis until sustaining occupancy (1.25 DSCR) is reached. The amount of the escrow must be at least 150% of any projected operating deficit. An analysis of the deficit must be provided by the appraiser if there is a request for term funding prior to the project attaining a sustaining occupancy (1.25 DSCR);

11. Monthly loan payment to include funds, as determined by AHFC, for principal and interest, and reserves for taxes, insurance and replacement reserves. Replacement reserves deposits to be $800 per month;

12. Borrower to pay appropriate costs associated with the loan, including by not limited to recording, title insurance, escrow closing fee, and loan fee;

13. The payment of $22,800.00 loan fee; the review fee of $1,000 will be applied to the payment of this fee; and

14. Other conditions that may arise as determined by AHFC.

Reviewed and accepted by Senior Staff substantively as stated in this Loan Committee Memorandum, subject to board approval:

Bryan D. Butcher	Mark Romick	Michael Strand
CEO/Executive Director	Deputy Executive Director	Chief Financial Officer
Date: 6-17-16	Date: 6-17-16	Date: 6/17/16

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ALASKA HOUSING FINANCE CORPORATION
RESOLUTION NO. 2016-13

RESOLUTION APPROVING A MODIFICATION TO THE TERM FINANCING FOR A MULTI-FAMILY HOUSING PROJECT TO ANCHORAGE PACIFIC ASSOCIATES, LLC

BE IT RESOLVED by the Board of Directors of the Alaska Housing Finance Corporation as follows:

I. <u>Findings:</u>

A. There is need to provide safe, quality and accessible housing;

B. Anchorage Pacific Associates, LLC through Northrim Bank has applied under AHFC's Multifamily Loan Purchase Program for term financing of multifamily housing located in Anchorage, Alaska;

C. The proposed financing falls within the established program regulations; and,

D. The proposed financing is found to be an acceptable risk to the Alaska Housing Finance Corporation.

II. <u>Conclusion:</u>

Pursuant to the foregoing findings, the Board hereby approves the request substantively as stated in the June 29, 2016 Board Consideration Memorandum prepared in support of the application.

This resolution shall take effect immediately.

DATED THIS 29th Day of June, 2016

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Brent LeValley
Chair

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Appraisers
1199 Dimond Blvd, Suite 200
Anchorage, Alaska 99515
Phone: 907-274-4654
Fax: 907-274-0889
E-mail: bsr@ak.net

BLACK-SMITH, BETHARD & CARLSON, LLC

April 28, 2016

Client: Northrim Bank
3111 C Street, Suite 400
P.O. Box 241489
Anchorage, Alaska 99524-1489

Attn: Mr. Raymond Dinger

RE: Bella Terra Apartments
A Proposed 32-Unit Apartment Project
Located at 7421 East 4th Avenue
in Anchorage, Alaska

Dear Mr. Dinger,

In fulfillment of our agreement as outlined in the letter of engagement dated March 25, 2016, we submit our *appraisal report* of the estimated market value of the fee simple estate in the above referenced property. As instructed, we have appraised the property "As Complete" and "At Stabilized Occupancy". The appraisal process includes an appraisal of the property "At Stabilized Occupancy" by each relevant approach. An analysis and conclusion of value for the subject "As Complete" and "As Is" is included at the end of the report.

Based on an inspection of the property and the investigation and analyses undertaken, we have formed the opinion, subject to the definitions, certifications, and limiting conditions set forth in the attached report, that the property appraised has the following market values:

Prospective Market Value	Date of Value	Value Conclusion
"At Stabilized Occupancy"	August 1, 2017	**$5,700,000**
Prospective Market Value		
"At Completion"	April 1, 2017	**$5,516,000**
Market Value "As Is"		
'As Is'	April 22, 2016	**$1,996,000**

The value estimate is stated in terms of cash. The market exposure period (looking backward) and the marketing time (looking forward) are both estimated at less than one year. The value opinions reported are qualified by certain definitions, assumptions, limiting conditions, and certifications.

The narrative appraisal report that follows sets forth the identification of the property, the assumptions and limiting conditions, pertinent facts about the area

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BELLA TERRA APARTMENTS
32 UNITS - PROPOSED DEVELOPMENT COSTS

TOTAL DEVELOPMENT COSTS:

Land Acquisition:	$ 450,000
Construction Costs:	$ 4,468,620
Construction Financing:	$ 196,300
Term Loan Closing Costs:	$ 93,500
Related Soft Costs:	$ 539,359
Developer Fees:	$ 338,290
Total Costs	**$ 6,086,069**

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Cameron Johnson

Cameron Johnson is the Managing Member of CJ Land Consultants, LLC. He has 15 years of experience in all aspects of real estate finance, acquisitions, land planning and development.

Cameron entered the real estate industry as a real estate agent for Century 21 Homes in St. George, Utah at the age of 21 where he specialized in assisting investors in the acquisition of rental income properties. 3 years later he moved to Los Angeles and joined AMG & Associates as a Land Acquisition Manager, where he was responsible for the acquisition and development of over 2500 apartment units throughout California. He formed CJ Land Consultants, LLC in 2005 to focus on his own developments along with assisting other apartment developers throughout California with their acquisition, land planning and development needs. Over the past 12 years Cameron has bought, sold and owned investment properties and vacant land in California, Utah and Alaska. He bought his first investment property at the age of 21 when he purchased a condo in St. George, Utah that he later sold for a 75% profit. Recent developments consist of a 32 unit senior apartment project in Greenfield, Ca, 8 unit apartment project in Wasilla, Ak 15 lot single-family subdivision in Wasilla, phase I and II of the Bella Vista East Subdivision in Palmer, AK which consists of 16 4-plexes, a community water system and park

To whom it may concern,

I have been involved in the Real-Estate industry since I graduated high school. Upon graduating I bought my first two residential lots. Within 4 years I had built my first home 100% debt free as well as sold my first Spec house. In 2004, I started my business as a General Contractor to which I still own and operate today. Along the way I have built and sold over 50 homes as well as built and kept my 4-plex, 2 single family rentals, and a Duplex. In 2011 I was part of a 3 member team that purchased a 12 unit apartment building. In 2012 we built an 8 unit apartment building. Both of those buildings are 100% occupied. Since that time we've built another 60 units (15 4-plexes) that we currently own and rent. In 2013 I won two Golden Spikes awards from Mat-Su Homebuilders Association for highest quality in my price range. In 2013 I built 11 single family homes and a four plex and duplex, all of which have been sold. I'm also the current secretary of the Mat-Su Homebuilders Association.

Regards,
Robert Yundt II

Alexis M. Gevorgian Resume

Alexis M. Gevorgian is the Managing Member of AMG & Associates, LLC ("AMG"). He has 19 years of experience in all aspects of real estate finance, acquisitions, land planning and development.

Alexis entered the development industry as a financial analyst and assistant project manager at Calmark Development Corporation. He then joined Century Homes Communities as a project manager, where he developed commercial office buildings and residential communities. He consulted the Goldman Sachs MIF Fund and Grubb & Ellis Realty Advisors in problem loan workouts, acquisitions of office buildings, retail centers, industrial parks, and hotels. Later, he became the Senior Financial Analyst for Bank of California's three billion dollar real estate portfolio, where he was responsible for product redistribution strategies, problem loan workouts and risk ratings.

Later, Alexis joined Bank One and underwrote, closed, and managed major acquisition, development, construction loan revolving facilities and permanent loans. After leaving Bank One, he became the Director of Land Acquisitions for Kaufman & Broad Multi-Housing Group (KBMH). Since leaving Kaufman & Broad Multi-Housing Group as an employee, AMG has made Simpson Housing Solutions (SHS, formerly KBMH) its primary development partner and equity source on over twenty-five new development apartment projects valued at over $250,000,000. Since 2004, AMG has expanded its operations to include the acquisition of raw land and entitlement of residential subdivisions and condominiums.

Alexis' educational background has been exclusively dedicated to real estate development and finance. He earned a Master of Science in Real Estate Development and Investment from New York University's Real Estate Institute, a degree in Architecture, and a Bachelor of Science in Urban and Regional Planning from California State Polytechnic University. During his studies, he attended Columbia University's Business School and the Urban Planning Institute at La Sorbonne University in Paris, France.

Alexis Gevorgian - Responsibilities and Experience

Alexis Gevorgian is responsible for all partner and local agency relationships from the acquisition of land through the completion of the project.

Alexis has over 20 years of land development and real estate finance experience. Prior to forming AMG, Alexis was the Director of Land Acquisitions for Kaufman & Broad's multi-housing land development division where he was responsible for all land acquisitions for development as well as joint ventures. Preceding Kaufman & Broad, Alexis worked at Bank One (JP Morgan/Chase) where he underwrote and closed over $1 billion in major construction and land development loans. Prior to Bank One, Alexis worked for Bank of California, Grubb & Ellis Realty Advisors, Lehman Brothers and the Goldman Sachs / JER Venture.

Alexis's educational background includes a Bachelor of Science in Urban and Regional Planning from California Polytechnic University, Pomona, and a Masters Degree from New York University in Real Estate Development and Investment. Alexis is a licensed general contractor, holds a degree in architecture and has attended the Masters in Real Estate Development program at Columbia University.

Caleb James Roope

430 E. State Street, Suite 100, Eagle, ID 83616 (208) 461-0022 x 3015

Education:

Bachelor of Science, Accounting
Azusa Pacific University, 1993

Certified Public Accountant's Examination
Passed, 1994

Post-Graduate, Business Administration
Azusa Pacific University, 1994

First Year – Legal Studies
Oak Brook College of Law, 1995

Experience:

President / C.E.O., Pacific West Builders, Inc.. (2003-Present)
Multi- & Single-Family Construction

President / C.E.O., Pacific West Communities, Inc. (1998-Present)
Multi- & Single-Family Construction, Development & Ownership

Principal, Pacific Communities of Idaho, LLC (1998-Present)
Multi- & Single-Family Construction, Development & Ownership

Principal, Pacific Communities, LLC (1998-Present)
Multi- & Single-Family Construction, Development & Ownership

Project Manager, A.H.D.C., Inc. (1997-1998)
Multi-Family Housing Development

Vice President, Koa Development, Inc. (1991–1997, 1998–2000)
Multi-Family Housing Development (6 years)
Multi-Family Housing Construction Supervision (6 years)
Tax Credit & Government Consulting and Compliance (6 years)
Local-Level Development Processing (6 years)

Awards/Honors:

California State Scholar/Athlete of the Year – 1989
Summa Cum Laude, Azusa Pacific University – 1993
Senior Class Valedictorian, Azusa Pacific University – 1993
Outstanding Senior, Business Administration - 1993

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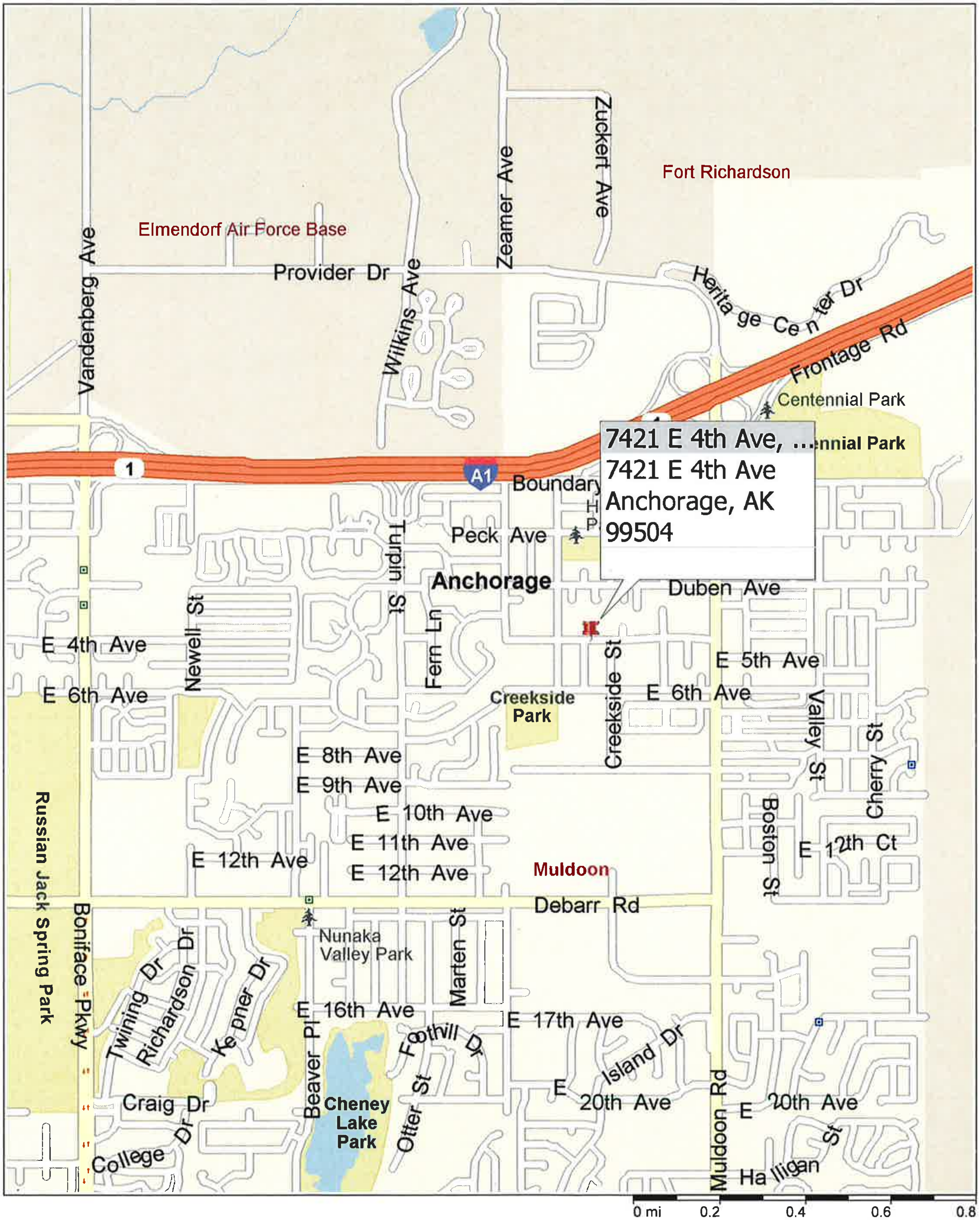
Anchorage, Alaska, United States



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ALASKA

Economic Outlook[9]

Alaska's economy faces significant headwinds in 2016, largely due to sustained low oil prices. The state is forecast to lose about 2,500 jobs in 2016, a 0.7 percent decline, after gaining 1,700 jobs in 2015. This would be the first year of job losses since 2009, when Alaska felt the wake from the national recession. The state's job growth rebounded quickly in 2010 and remained relatively strong through 2012, buoyed by the federal stimulus package, large capital budgets, and high oil prices. Growth slowed to a crawl in 2013, and employers added jobs at a yearly rate of half a percentage point or less between 2013 and 2015.

Anticipated job losses are tied directly to low oil prices, which averaged close to $53 per barrel in 2015, and to a lesser extent to declining oil production. Sustained low oil prices impinge Alaska's economy on two fronts: directly, through cuts to oil industry investment and employment, and indirectly, through state government budget deficits that lead to spending cuts. Consequently, job losses will be concentrated in the oil and gas industry and state government as well as the construction industry, which will be hit by reduced investment from oil companies and capital budgets. Despite downward pressure, 2016's job losses are anticipated to be fairly isolated. The ripple effects of lower employment and spending aren't likely to extend into other industries this year.

Population Trend[10]

Despite more people moving out of Alaska than moving in, the state's overall population actually grew slightly between 2014 and 2015, according to new state estimates.

Alaska's population increased by 271 people between July 2014 and July 2015, according to population estimates released Thursday by the Alaska Department of Labor and Workforce Development. That brings the state's new estimated population to 737,625, with growth in 11 of Alaska's 29 boroughs and census areas.

The Matanuska-Susitna Borough grew the most (between 2014 and 2015), adding 1,801 people. Anchorage, meanwhile, lost 1,458 people -- a larger dip than any other area -- dropping the city below 300,000 citizens to an estimated population of 298,908.

Overall, 6,774 more people moved out of Alaska during the time period than moved into the state. There were also 11,327 births between 2014 and 2015 but only 4,282 deaths, leading to a natural increase of 7,045 people.

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9 Caroline Schultz, Alaska Economic Trends January 2016

10 Alaska Dispatch News – January 14, 2016

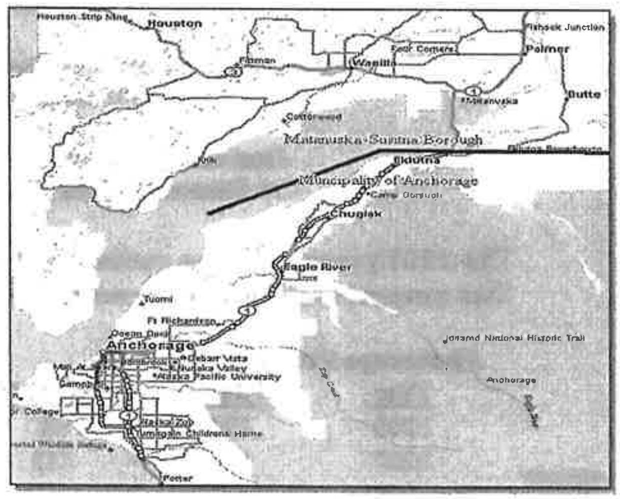
"It is highly likely that the net out-migration growth is due to relatively more favorable employment opportunities outside Alaska than in Alaska," said Gunnar Knapp, director and professor of economics at the Institute of Social and Economic Research at the University of Alaska Anchorage.

This marks the third year in a row that more people left the state than arrived here.

ANCHORAGE and the MATANUSKA-SUSITNA BOROUGH

More than half of Alaska's population resides in the adjoining south-central areas encompassed by the Municipality of Anchorage (MOA) and the Matanuska-Susitna Borough (MSB). Their population centers are physically separated by Joint Base Elmendorf Richardson (JBER) and the flats of the Matanuska and Knik Rivers.

Anchorage is Alaska's largest city. It is a strategic hub for the state's transportation industry and the center of commerce. Oil and gas industries, finance and real estate, communications, and government agencies are also headquartered in Anchorage.



The southern-most portion of the MSB is often described as a bedroom community to Anchorage, commonly referred to as the "Valley." While they have their own identities, the sister cities of Wasilla and Palmer are only 45 miles from Anchorage on the Glenn Highway, a multi-lane, paved expressway with modern interchanges.

Between 2002 and 2012, the Mat-Su region led the state with 47 percent of the new construction, adding nearly 30,000 new residents at the same time. Although Anchorage has three times the population of Mat-Su, less than half as many single-family homes were built there. Mat-Su has large tracts of undeveloped land, while urban Anchorage is mostly limited to infill sites that restrict growth and increase costs.[11] If Southcentral's economy continues to grow, the Mat-Su Borough is unlikely to relinquish its position as one of the strongest economic performers in the state. And because Mat-Su residents work all over the state, its future is also directly linked to the broader health of the state's economy.[12]

Anchorage has gained jobs nearly every year since 1988, but continuing low oil prices make another year of economic growth unlikely. In the late 1990s, Anchorage's employment grew despite low oil prices, big industry layoffs, and fiscal deficits — but there are big differences between then and now. The state budget deficit is considerably larger than at any time in the past, the oil workforce is at a record high, recent years' economic growth has been muted, and oil production is less than half of what it was in 1999. Because Anchorage is headquarters for the

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11 Alaska Economic Trends, April 2014; Alaska Department of Labor

12 *Alaska Economic Trends* February 2013

state's oil industry, any layoffs would spur broader economic fallout. The other dampers on Anchorage's outlook are state government job losses, which will likely accelerate with the new fiscal year in July, and low prices for all commodities, which are crimping the state's mining and fishing industries. However, some Anchorage industries are forecast to grow in 2016. The visitor industry anticipates another stellar year and health care is also forecast to add jobs, but not enough to offset the slowdown for other industries, which translates to a modest overall job loss of 0.8 percent or 1,200 jobs.[13]

Summary

While the economy has become more diversified in recent years, this region - like the rest of the state - is heavily dependent on the oil industry and government spending. Developments over the last year are worrisome but reports and rumors affecting real estate markets are weighed differently.

Economists optimistic for real estate in 2016 despite falling oil prices
Travis Khachatoorian/KTUU, January 8, 2016

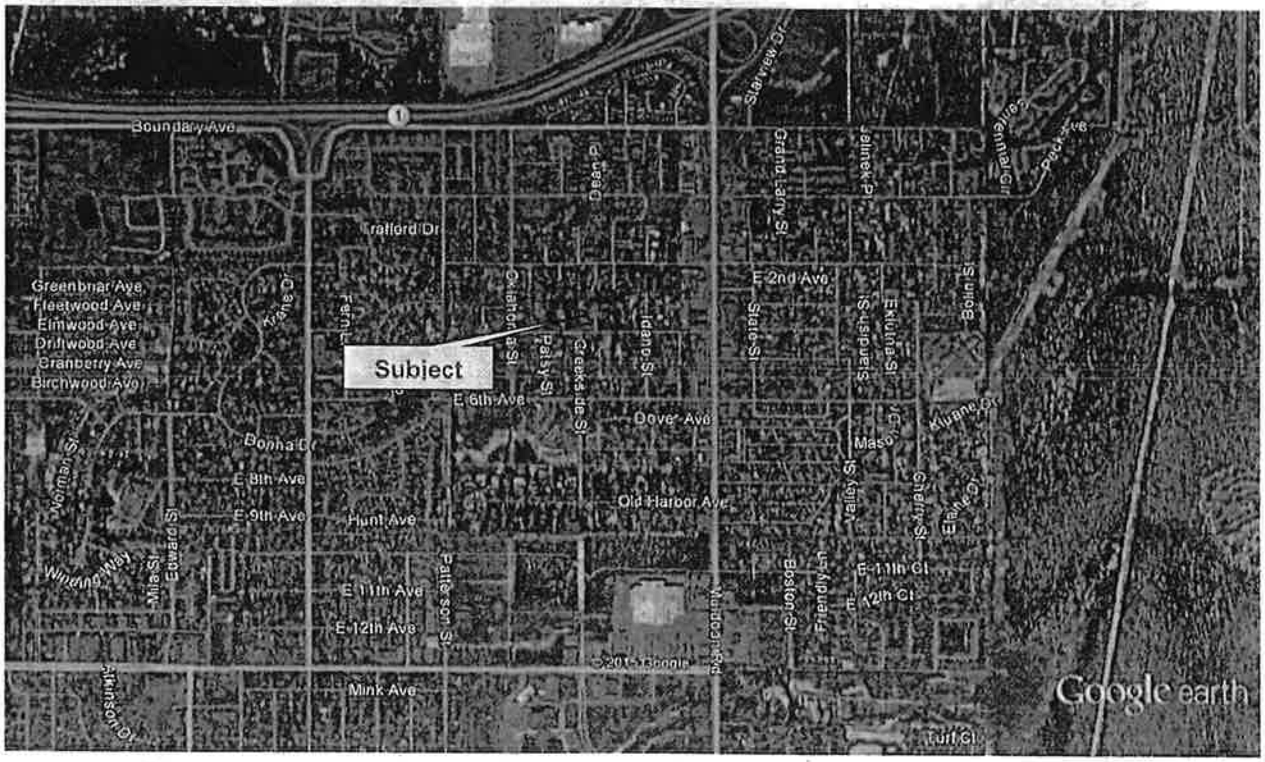
Real estate market forecast see softening in Anchorage
Tim Bradner, Alaska Journal of Commerce, January 13, 2016

The 2015 year-end sales statistics compiled by the Multiple Listing Service suggest that general conditions in several submarkets are stable.

Anchorage Vacant Land			**Mat-Su Vacant Land**		
Year	**# Sold**	**Avg. DOM***	**Year**	**# Sold**	**Avg. DOM***
2006	238	92	2006	827	145
2007	141	123	2007	570	154
2008	98	154	2008	444	204
2009	112	199	2009	415	207
2010	144	302	2010	478	192
2011	137	401	2011	519	205
2012	197	265	2012	481	181
2013	222	224	2013	495	164
2014	207	173	2014	671	184
2015	191	205	2015	669	271

**Avg. DOM = Average Days on Market*

13 Neal Fried, Alaska Economic Trends January 2016



General Neighborhood

The subject is located in Northeast Anchorage approximately 5 miles east of Anchorage's CBD. It is bounded on the north by the Glenn Highway, on the east by Muldoon Road, on the south by Debarr Road and on the west by Turpin Road.

Access

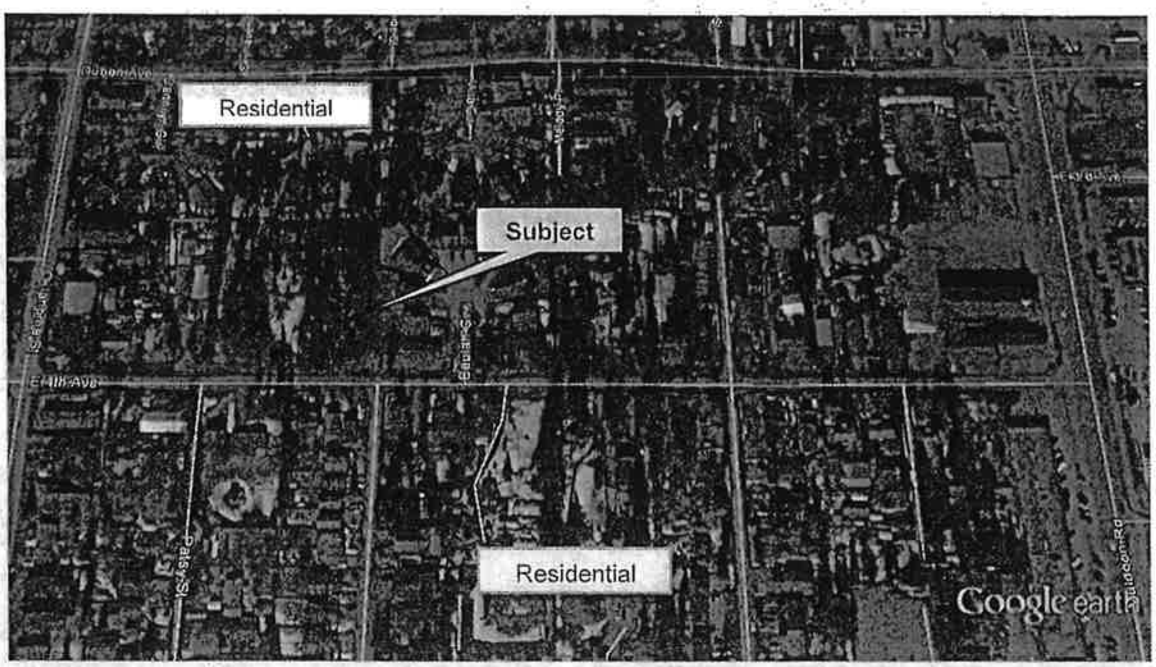
Access via a network of major arterials and secondary feeders is adequate.

Utilities

Natural gas, water, sewer, electricity and telephone.

Services

Police, fire protection and road maintenance are provided by the Municipality of Anchorage. Public transportation and refuse service is also available.



Land Development

Mixed-use district with commercial along arterials and single- and multi-family development on the non-fronting lands. Major developments in the area include Wal-Mart, Fred Meyer, Muldoon and DeBarr Roads, and the Tikahtnu Commons retail development near the intersection of the Glenn Highway and Muldoon Road. Recent development around the Wal-Mart has included the addition of Creekside Center Drive and E. 10th Avenue in the immediate neighborhood.

Residential improvements along E. 4th Avenue vary in terms of age, quality and condition ranging from the 70s to late 1990s. New Habitat for Humanity housing is being constructed for low-income residents to the northwest of the subject.

% Developed 90±%

Life Cycle Stable.

Externalities

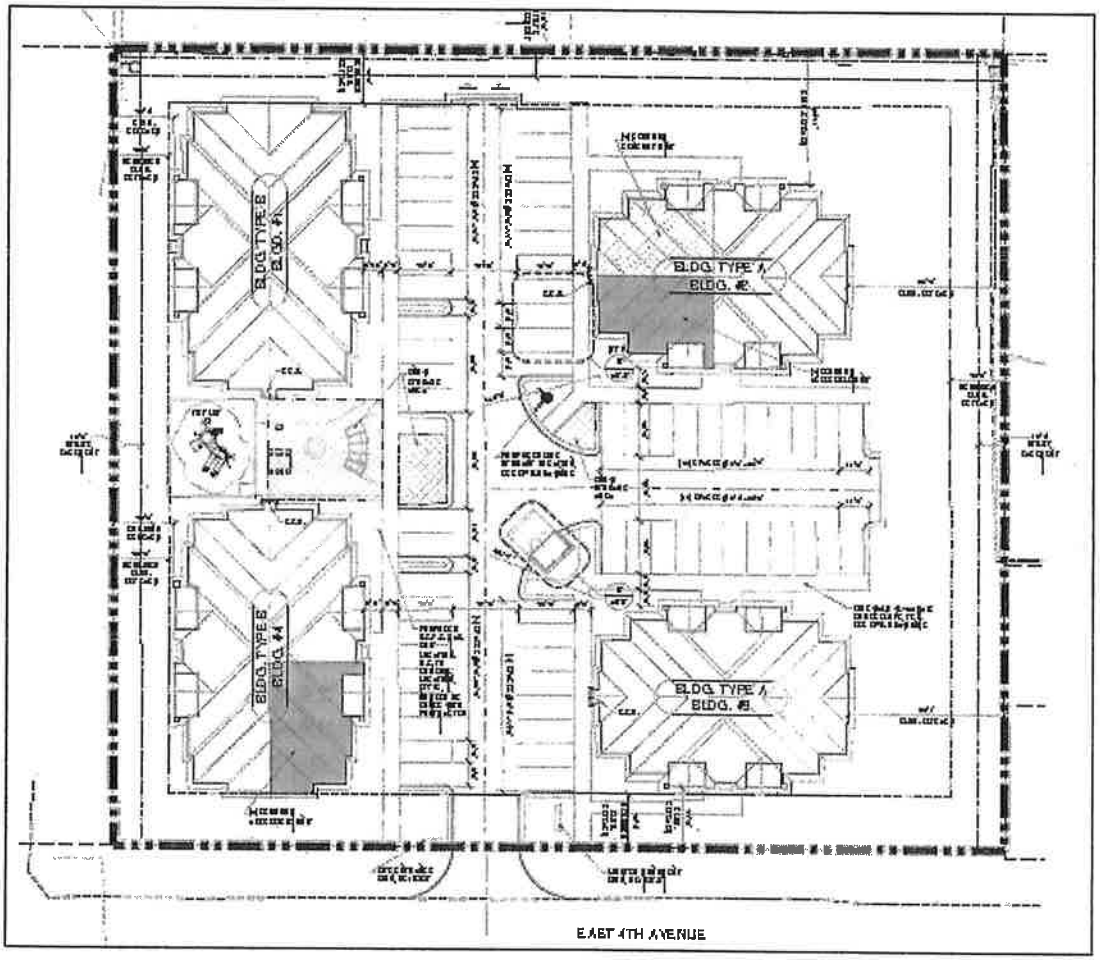
There are no significant externalities noted. New investment and development positively influences the general neighborhood. The immediate neighborhood consists of dated, mixed quality residences with no new investment noted. The overall condition of surrounding improvements is below average.

Summary

In summary, commercial business interests are situated on Muldoon and DeBarr Roads with dated residential neighborhoods situated on the non-arterial fronting areas. The neighborhood is suitable for both users and investors.

Location: The subject is located on E. 4th Avenue, in Anchorage, Alaska. The address is 7421 E. 4th Avenue.

Access: The site has frontage and access on E. 4th Avenue, a paved neighborhood street. Access is adequate.



Land Area:	98,251 SF (2.26 AC)
Shape:	Square interior lot
Road Frontage:	±330' on E. 4th Avenue
Visibility/Exposure:	E. 4th Avenue
Traffic Count (2013):	N/A
Utilities:	All public utilities are available with public water, sewer, and storm drains installed on-site.

Adjacent Properties:
North: Residential neighborhood
South: Residential neighborhood
East: Residential, commercial on Muldoon Road
West: Residential neighborhood

Topography:
The site is fairly level, mostly cleared, near street grade. The owner reported ±15,000 yards of material has been removed off-site to level property. A retaining wall has been installed along the east lot line (see *Subject Photographs*).

Soils:
The soils are good for improved uses.

Flood Plain:
According to FEMA map 0200050780D, the subject is not located in a flood hazard zone.

Seismic:
Most of south-central Alaska is classified in "seismic zone 4". Permitting agencies typically recognize this zone in its application of the uniform building code.

Wetlands:
According to Anchorage Wetlands Atlas map #14, the subject does not contain wetlands.

Easements/ Encumbrances:
We were not provided with a title report. The MOA grid map does not show any easements that appear to limit development.

Zoning/Public Restrictions:
The subject is zoned R-2M (Multi-family residential district). The R-2M use district is "intended to be a medium-density urban and suburban multiple-family residential district, allowing up to eight dwelling units per acre on 20,000-square-foot lots in the R-2M district. Structures and uses required to serve governmental, educational, religious, noncommercial, recreational and other needs of such areas are permitted in this district or are permissible as conditional uses subject to restrictions intended to preserve and protect its residential character."

The proposed use is a conforming, permitted use in regards to the current zoning regulations.

Private Restrictions:
None noted.

Environmental Issues:
We are not aware of any environmental issues affecting the site. It is an *extraordinary assumption* that there are no environmental issues.

Suitability of the Site:
The subject contains a total site area of 98,251 SF (±2.26 Ac). It is fairly level, mostly cleared, and near street grade. Soils are build-ready. Access is adequate and all utilities are available with public water, sewer, and storm drain on-site. Overall, the subject site and neighborhood is suited for multi-family residential development.

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As Proposed

As proposed, the subject will be constructed as a 32-unit apartment project consisting of four, two-story, 8-plex buildings. There will be (2) Type A buildings with (8) two-bedroom units and (2) Type B buildings with (8) three-bedroom units, with a gross building area (GBA) of 38,640 SF.[14] The net rentable area (NRA) is 36,416 SF.[15] Each building will have interior common stairwells.

A set of building plans was provided. The area calculations are presented as follows:

Residential Units	16 – 2BR/2Bth – 1,003 SF 16 – 3BR/2Bth – 1,273 SF
Total Units - NRA	**32 – 36,416 SF**
Common Area (Stairwells/Hallways)	556 SF (per bldg.)
Gross Building Area (GBA)	38,640 SF

	Type A	Type B
First Level	4- 2BR/2Bth Units	4- 3BR/2Bth Units
Second Level	4- 2BR/2Bth Units	4- 3BR/2Bth Units
NRA	8,024 SF	10,184 SF
GBA	8,580 SF	10,740 SF

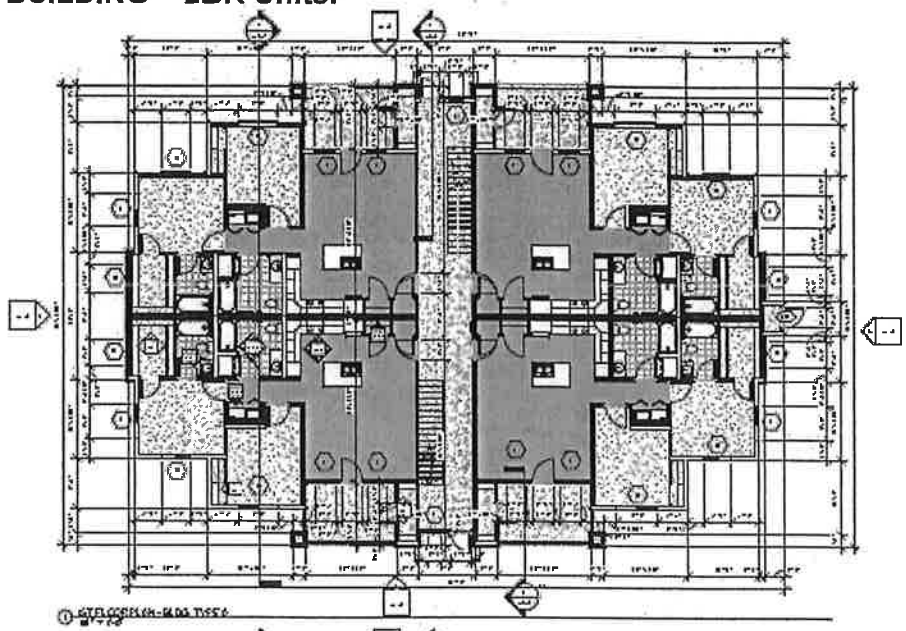
14 Per Building Plan Statistics from Pacific West Architecture.

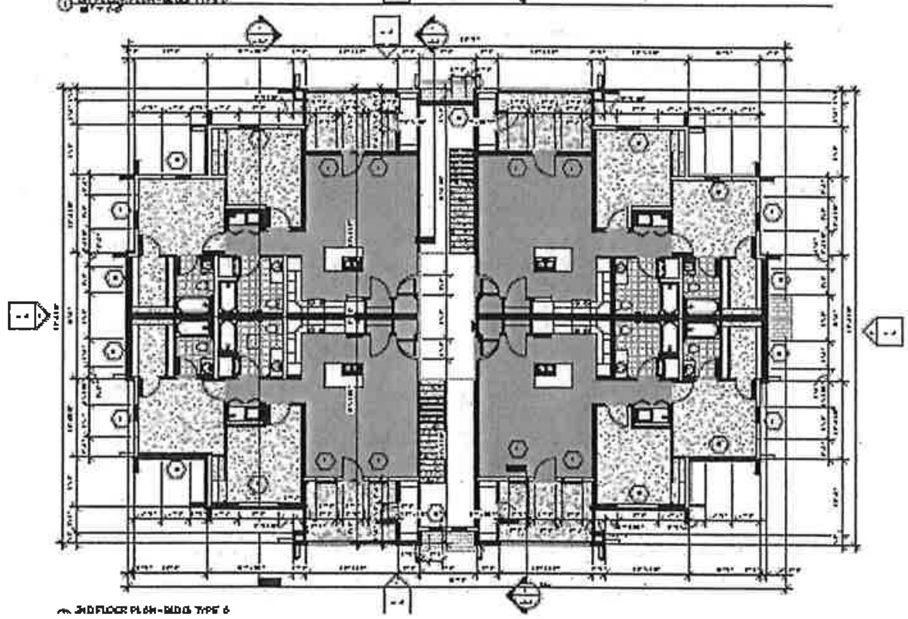
15 Unit rentable areas; excludes common areas.

Construction Features

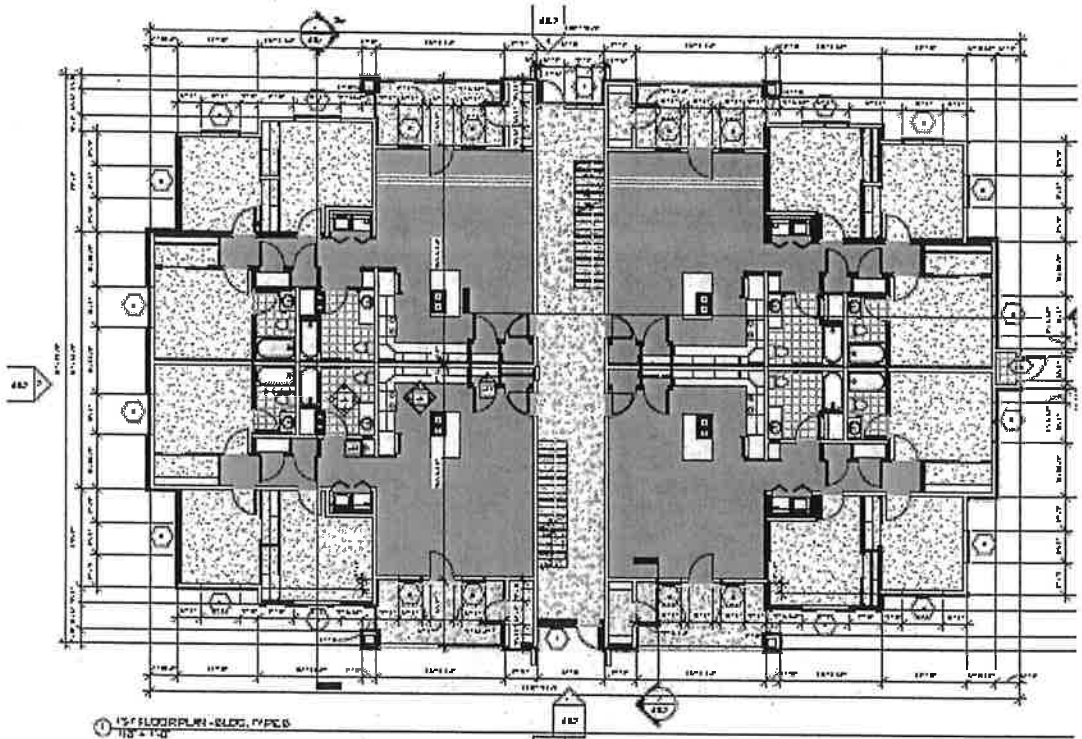
We were not provided with detailed building plans. The building description is presented as an overview of the basic construction features based on the information provided. The basic unit layouts are as follows:

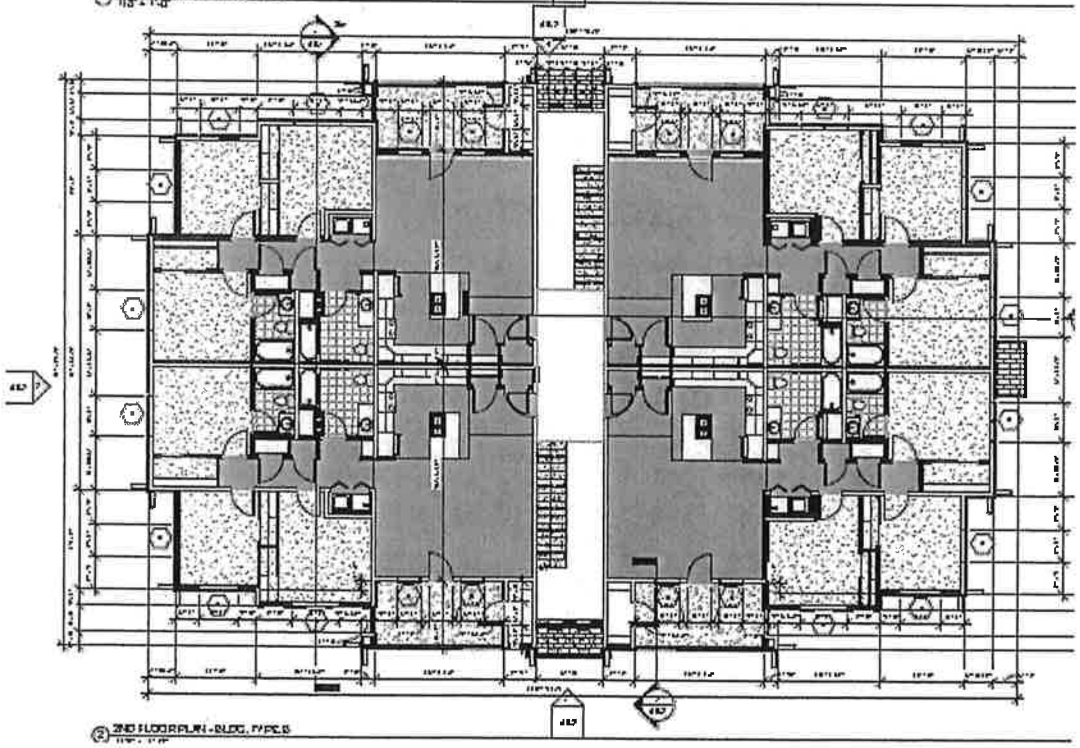
TYPE A BUILDING – 2BR Units:





TYPE B BUILDING – 3BR Units:





Foundation
The foundation will be concrete.

Framing
The subject will consist of (4) two-story, 8-plex, wood-framed buildings totaling 32 units. Exterior walls will be covered with vinyl siding with some stone veneer accents. Interior ceilings are ±9 feet.

Floors
Floors are wood joist, which will be finished with plywood sheeting and average grade carpeting and pad, with tile or vinyl in wet areas.

Roof
Roofs will be shed type with asphalt shingles.

Interior Finish
Walls and ceilings are to be sheet rocked, taped, textured and painted. Flooring will be heavy carpet or vinyl plank, with wood or rubber base. Fixtures will be brushed nickel in the kitchen and baths. Master bedroom closets will include built-in shelving. In addition, there will be a ceiling fan in the master bedroom. In general, the interiors will be average-plus to good-quality finishes with quality workmanship.

Insulation
All insulation is assumed to be adequate.

Mechanical, Plumbing, and Electrical
The buildings will be equipped with gas-fired, hot water in-floor radiant heat. Each unit will be individually controlled and include exhaust fans. Electrical and plumbing are assumed to be adequate and commensurate with the overall quality and condition of the project. Kitchens will consist of a under mount sink with disposal, granite countertops, an island and hickory cabinets. All units will have two baths with a full tub. The master bath will contain an oversized tub with tile surround. The buildings will be sprinklered.

Appliances
The units will have full sized refrigerators, four burner stoves, dishwashers, and garbage disposals. All units will have in-unit washer/dryers.

Site Improvements
The site will be improved with typical landscaping, paved walks, signage and building mounted exterior lighting and street lighting.

Americans with Disabilities Amendment
It is assumed that the subject will be constructed to current building code and will be ADA compliant.

Additional Amenities
Each unit will have an interior storage unit on a patio (1st level) or deck (2nd level). There will be a playground, bicycle storage rack, picnic tables and BBQ area.

Parking

The site plan provided (see *Site Description*) shows 62 asphalt paved parking spaces. Parking requirements per zoning is 1 space per 1-bedroom, 0.5 space for additional bedrooms and 0.10 space for guest parking. By these requirements, 60 spaces[16] are needed. It appears that parking will be adequate.

Condition and Effective Age

The subject will be in new condition when complete, with an effective age of zero. The estimated economic life is 50 years.

Functional Utility

The buildings are well situated on the site to allow adequate ingress/egress. Room sizes and layouts are also functional. As proposed, the subject will be far superior in quality and condition to the existing inventory of market rate alternatives in the immediate area. It will be the only new construction in a dated subdivision and is bordering on an over improvement for the location. The subject lacks garages which is not generally a functional problem for apartments as differences are accounted for in the rental rate. However, in this case, the proposed rents are at the upper end of the range and 100% of the comparables analyzed for this quality and price point have some type of heated car storage.

Regardless of the issues noted for garage and location characteristics, the subject's functional utility is considered adequate for the intended use. In fill is required in the Anchorage market due to a lack of available alternatives.

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[16] 2BR – (1+0.5+0.10)*16=25.6; 3BR – (1+0.5+0.5+0.10)*16 = 33.6; 26+34 = 60 spaces required.

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Bella Terra Apartments
Pro-Forma Appraisal

Rental In.	From Bedrooms	Sq.Ft.	# of Units Units	Unit Rent	Gross Annual
Market	2BR/2BA	1003	16	$1,550.00	$ 297,600.00
Market	2BR2BA	1273	16	$1,800.00	$ 345,600.00
					$ -
Total Rental Income		38640	32		$ 643,200.00
					$ 643,200.00
Less Vacancy & Credit Loss			6.0%		$ 38,592.00
Effective Gross Income					$ 604,608.00
Total Adjusted Income					$ 604,608.00

EXPENSES			
Management	$42,746	7.07%	%EGI
Insurance	$16,000	$500	per unit
Taxes	$54,440	$1,700	per unit
Utilities	$30,880	$0.80	per square foot
Maintenance & Repairs	$20,800	3.44%	%EGI
Replacement/Reserves	$9,600	$ 300.00	per unit
Total Expenses	$174,466	$5,452.06	per unit
% of EGI	28.86%		
Net Operating Income	**$430,142**		
Mortgage	$306,416	$4,560,000 @ 5.125% 30 yrs	

DSCR	**1.40**
Net Cash Flow	$123,726
Income Decrease=	20.46%
Expense Increase=	70.92%
Vacancy Increase=	25.24%

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Alaska Housing
FINANCE CORPORATION

Loan Proposal
for
Alaska Joint Venture Partners
LLC

ALASKA HOUSING FINANCE CORPORATION
BOARD CONSIDERATION MEMORANDUM

DATE: June 29, 2016
ITEM: Multi-Family Loan Request STAFF: Eric A. Havelock
****

BORROWER:	**Alaska Joint Venture Partners, LLC**
Co-Borrower(s):	**Hawk Technologies LLC; Shore Investments LLC; TBW LLC Randy Kaer;**

PURPOSE: Term loan financing for the acquisition and rehabilitation of an affordable mixed-use multifamily project containing 65 units and known as "Juneau Super 8" located in Juneau, Alaska.

PROPOSAL OVERVIEW:

Loan Amount:

First Deed of Trust: $2,907,750

Project's Market Value: $3,915,000 "Restricted Stabilized Occupancy."
$3,537,000 "less allocation to personal property (FF&E)"

Appraised by: Michael Forsland and Brian Bethard, MAI, appraisers for Black-Smith, Bethard & Carlson, LLC See Appendix I.

Loan-to-Value Ratio:

First Deed of Trust: 82% "Restricted real estate less FF&E"

Loan Terms:

First Deed of Trust: 30 years amortizing fixed monthly payments.

Interest Rate:

First Deed of Trust: 6.375%*

*Rate is determined at the time of underwriting based on what AHFC believes would be the cost of a thirty (30) year taxable bond plus administrative and anticipated servicing costs, if it sold bonds at that time.

Debt Service Coverage Ratio:

First Deed of Trust: 1.49

(A debt service coverage ratio is the net income available after paying expenses divided by the loan payment and is used as a profitability indicator for the project)

Recourse to Borrower and Co-Borrowers: **YES**

Sources and Uses of Funds:

Sources:	
AHFC's First DOT:	$ 2,907,750
Borrower cash:	$ 392,225
Total Sources:	$ 3,299,975
Uses:	
Purchase Price:	$ 1,660,000
Rehabilitation Costs:	$ 1,468,331
Soft costs/contingency:	$ 70,644
Tax & Insurance reserves:	$ 61,000
Term Loan Closing Costs:	$ 40,000
Total Uses:	$ 3,299,975

BORROWER ORGANIZATION: Description & Background:

Alaska Joint Venture Partners LLC.: Created on March 2, 2016 for any lawful purpose including the owning and operating of hotels and hotels, Alaska Joint Venture Partners LLC is an Alaska limited liability company created to hold and operate the subject property. Membership interest is held by Hawk Technologies LLC, Shore Investments LLC, and TBW LLC each vesting in 50%, 25% and 25% member shares respectively.

Hawk Technologies LLC.: A Wyoming limited liability company created in December of 2015 and registered to do business in Alaska for any lawful purpose. The LLC was created as a sole asset entity for the project with member shares held by Randy Kaer.

Shore Investments LLC: A Wyoming limited liability company created in December of 2015 and registered in Alaska for any lawful purpose. The LLC was created as a sole asset entity for the project with member shares held by Xochiti (Troy) Stafford through an irrevocable trust.

TBW LLC: An Alaska limited liability company created in December of 2010 for any legal purposes with 512AP, LLC as the 100% member. 512AP, LLC is wholly owned by Bruce Chambers.

Randy Kaer: Mr. Kaer has been in the real estate development industry since 1998 having worked in the construction field specializing in commercial buildings. He is a 1982 graduate of Southern Oregon University. **See Appendix II.**

Financial Information:
Alaska Joint Venture Partners LLC. was recently created to hold and operate the project, which has yet to be acquired. Therefore, financial data reflects the value of the project: (i) total assets: of $4,000,000; (ii) total liabilities: $2,907,750; (iii) net worth: $1,092,250. The project's annual cash flow is projected to be $105,697.

Hawk Technologies LLC: was recently created to hold and operate the project, which has yet to be acquired. Therefore, financial data reflects the pro-rata value of the LLC's interest in the project: (i) total assets: of $2,000,000; (ii) total liabilities: $1,453,875; (iii) net worth: $546,125.

Shore Investments LLC: was recently created to hold and operate the project, which has yet to be acquired. Therefore, financial data reflects the pro-rata value of the LLC's interest in the project: (i) total assets: of $1,000,000; (ii) total liabilities: $726,938; (iii) net worth: $273,062.

TBW LLC: was recently created to hold and operate the project, which has yet to be acquired. Therefore, financial data reflects the pro-rata value of the LLC's interest in the project: (i) total assets: of $1,000,000; (ii) total liabilities: $726,938; (iii) net worth: $273,062.

Randy Kaer: A balance sheet dated April 11, 2017 indicates: (i) total assets of $7,198,786; (ii) total liabilities: $3,298,000; (iii) net worth: $3,900,786.

Credit History:
A recent credit report reflects an acceptable credit history for the borrower and the co-borrowers, neither of whom have any loans with AHFC.

PROJECT CHARACTERISTICS:

Location and Site Description:
The neighborhood is described as being in the international airport/Mendenhall Valley area of Juneau, and is located approximately 8.5 miles northwest of the Juneau Central Business District. The immediate neighborhood is comprised of commercial and multifamily residential uses including hotel, retail shopping malls and affordable housing complexes. Located at 2295 Trout Street just south of Egan Drive and east of the Mendenhall Loop Road, all paved and publicly maintained roadways, the site contains 75,865 square feet and enjoys 297 feet of Trout Street frontage. The site is served by all available public utilities (water, sewer, electric and telephone). Heating fuel is available for delivery which is customary for this area. **See Appendix III.**

Note: The subject site is encumbered by a ten year land lease executed in 2014 that offers three, ten year extensions at the sole option of the lessee. AHFC requires an assignment of the land lease for collateral purposes as a condition of this commitment, which allows AHFC to extend the land lease if necessary.

Project Overview:
The subject is currently a wood-framed, three-story, 78 room hotel built in 1983. The subject is proposed to be converted to a mixed use facility that retains 45 hotel rooms and five extended stay suites all located on the first two floors, and converts the third floor to contain 15 affordable housing units. The building's exterior is finished with hardi-board siding and a clay shingled roof. The unit interiors will all be finished with taped and textured sheetrock with carpet and vinyl floor coverings as well as hardwood flooring in the kitchen area. The first floor lobby area flooring will be tile and the hallways and other common areas will be finished with carpet. The first floor will contain 20 hotel rooms ranging in size from 264 square feet to 430 square feet, a common area entrance with a front desk, public bathrooms, a coin-operated laundry containing two washers and two dryers for project use, a workout room, the elevator and mechanical room. The second floor will contain 25 hotel rooms ranging in size from 264 square feet to 730 square feet; and one, one-bedroom unit containing 792 square feet and utilized as an extended stay unit. The third floor will

contain 17 units ranging in size from 396 square feet to 468 square feet; and two, one-bedroom units containing between 641 and 736 square feet. Each residential unit will contain appliances for a kitchenette including a refrigerator and electric range. Bathrooms will contain a sink, vanity, toilet, and shower. The one-bedroom units will contain a full bathroom. Proposed project upgrades include replacing the existing water distribution system with PEX piping; replacing the oil-fired water heaters with on-demand water heaters, new floor coverings, exterior painting, upgrades to the existing fire alarm system, upgrades to the existing elevator, a rock-wall fireplace for the main lobby, and bathroom exhaust fans for all units. Rents are projected to be approximately $108 per night for the hotel rooms, $3,540 per month for the extended stay units, and range from $847 to $908 per month for the apartments. Parking is provided by 103 on site, paved spaces which are considered to be adequate for a project of this size, use, and location. The proposed use is a legal, conforming use of the site, and the appraiser estimates the remaining economic age of the improvement to be 35 years. See Appendix IV.

Note: Each hotel room will be furnished with beds, a table, a couch, sitting chairs, dressers, lamps, a mini-fridge, a microwave, and a television. The value associated with the furniture, fixtures, and equipment (FF&E) is not a part of this financing proposal even though these items are included in the sale contract and will be transferred to the borrower. The workout room will be available for the use of the affordable unit residents. For the affordable units, additional fees are not allowable above the maximum rents.

Soil Conditions:
Neither the appraiser nor the inspector noted any concerns with the property. The subject's site, as proposed and as developed, is considered adequate to support the proposed improvements.

Environmental Assessments:
The appraiser, the home inspector, and the borrower did not note any environmental concerns with the property. A Phase I environmental report acceptable to AHFC will be made a condition of the term loan commitment.

Health and Safety Inspection Report:
A Health and Safety inspection report was completed by Greatland Home Inspections on April 7, 2016 noting several areas of concern. All identified items are to be addressed as a condition of the loan commitment. An unconditional certificate of occupancy from the City and Borough of Juneau for the residential units is also being required as a condition of this commitment. See Appendix IV.

PROJECT OPERATIONS:

Pro-Forma Statement: Staff reviewed the application, the market analysis, and the appraisal in developing the pro-forma operating budget and believes it fairly depicts the expected performance of this mixed-use affordable housing project. The appraiser utilized an apartment vacancy percentage of 3% which is supported by comparable projects chosen by the appraiser and adjusted by staff to 5% for underwriting purposes. Based on data provided by the appraiser, borrower, and the market analysis, it is anticipated that the affordable apartments will maintain a high occupancy rate due to the high demand for affordable units in the Juneau area. The appraiser utilized a vacancy percentage of 35% for the hotel rentals based on comparable properties chosen by the appraiser. Staff supports this conclusion noting the new condition of the units will attract daily tenants, the proximity to the Juneau International Airport, and the projected increase in tourism visitors to the community. The replacement reserves of $500, per unit, per year, is considered to be above average for property of this age, type, and condition and will facilitate ongoing property improvements. **See Appendix VI.**

Debt Service Coverage Ratio:
The 1.49 debt service coverage ratio indicates that in addition to the 5% vacancy factor for the apartments and the 35% vacancy factor for the hotel rooms, income could fall by 7% or expenses could increase by 10% or some combination of both and there would still be sufficient funds to continue to pay the first mortgage. Stated another way, the project would break-even at a 38% vacancy rate. The ratio, by industry standards, is considered to be an excellent ratio.

Unit Set-Asides:
Borrower has elected to set aside 15 of the 65 units for residents earning 50% of median income or less as determined by the Department of Housing and Urban Development. The remaining 50 units will be rented at market rents with five targeting corporate rentals. Additional fees shall not be charged if said fees increase the amount paid above the maximum rent. Access to building amenities for all residents will not be restricted. Anticipated rents are set out in the pro-forma.

Market Study Report:
Black-Smith, Bethard & Carlson, LLC performed a market analysis in conjunction with the appraisal dated March 9, 2016 providing evidence that there is a sufficient market demand for the project once completed. The two markets analyzed for this conclusion were the lodging industry and multifamily residential housing market. Local lodging supply consists of 433 rooms of which the subject will have 15% of the competing inventory. Daily rates were compared to these properties with a range of peak season room rates from $149 to $219 per day, and off-season rates ranging from $80 to $149 per day supporting the proposed $108 per day hotel rate. Occupancy was projected to range from 53% to 70.5%, which was adjusted to 65% by the appraiser considering the newer condition of the units and the appraiser's Alaska hotel data base. Staff concurs with this assessment noting that no new daily rental projects are being proposed for the Juneau area. Juneau area multifamily residential housing has seen additional inventory in the last several years including 75 affordable family units, 41 proposed elderly units, as well as substantial rehabilitation of 24 rent assisted units. The appraiser also identified 83 non-income restricted units that are being added to the market. The subject is not expected to compete with this additional affordable inventory targeting families as the subject units are efficiency units which are noted to be extremely limited in the Juneau area. Staff concurs with the analyst's conclusions supporting strong market demand noting the continued high occupancy percentage of affordable apartments in the Juneau area and the extensive waitlists reported by local affordable housing providers. **See Appendix VII.**

Rent-Up Reserve:
Typically there is time involved for renovation, marketing and move-in requiring a rent-up reserve to be established to cover operating losses during rent-up operations. As a condition of this commitment, the project is required to meet a minimum debt service coverage ratio of 1.25 and is required to reach sustained occupancy for the affordable units. Sustained occupancy is defined as 90% occupied for 90 consecutive days. As the borrower will carry the lease up risk through the construction loan, staff does not recommend the establishment of a rent-up reserve.

COMMUNITY SUPPORT:
Letters of community support were not provided.

COMMUNITY OPPOSITION:
AHFC and the borrower are not aware of any community opposition.

PROPERTY MANAGEMENT:
Alaska Resort Condos, Inc will be the property management entity for this project. Created in September of 2006, the sole owner is Susan Kaer. She has been in hotel management for the last 17 years and has been in the food and beverage management industry for the last 28 years. Most recently she was the owner/general manager of the Ramada Anchorage Downtown until 2015, a position she held since 2003 and left to focus on the subject property. Ms. Kaer will be using hotel management software published by Oracle for the tracking of room occupancy and income eligibility providing an easily identifiable track record for affordable housing compliance. Additional on-site staff will be available for room intake and tenant application screening. Staff concurs that she has sufficient qualifications and experience to successfully manage the subject property, noting that income verification procedures and AHFC mortgage staff counseling will be a part of the loan closing process. Further assurance is provided in the deed of trust which allows AHFC to replace the property manager. See Appendix VIII

RECOMMENDATION:
Alaska Joint Venture Partners LLC has presented the corporation with a unique opportunity to provide safe and needed affordable housing in Juneau. The request falls within the parameters of the Multi-Family Housing Lending Program; it is reasonable to expect that the loan will be repaid; and it is considered to be an acceptable risk; therefore, staff recommends approval of the request subject to the conditions noted below.

COMMITMENT CONDITIONS:

1. Alaska Housing Finance Corporation (AHFC) to provide long term financing in an amount not to exceed $2,907,750 amortized over thirty (30) years with monthly payments. Interest to be 6.375% at AHFC's thirty 30-year taxable cost of funds including administrative and servicing costs;

2. A security position in the appropriate personal property, fixtures, furniture, and contracts, etc. will be taken;

3. Borrower to be: Alaska Joint Venture Partners LLC.
   Co-Borrowers to be: Hawk Technologies LLC; Shore Investments LLC; TBW LLC; and, Randy Kaer;

4. Commitment to expire September 29, 2017. If necessary, an extension may be considered by staff subject to extension guideline criteria and extension fees;

5. A loan prepayment limitation will be imposed in accordance with AHFC's financing requirements;

6. Loan Agreement to include covenants which require the borrower, at a minimum, to restrict the rental of 15 of the 65 units for residents earning 50% of median income or less as determined by the Department of Housing and Urban Development.

Additional fees shall not be charged if said fees increase the amount paid above the maximum rent. Access to building amenities for all residents will not be restricted;

7. Receipt and acceptance by AHFC of the following:

   a. a Phase I environmental data report acceptable to AHFC;

   b. the general contractor's warranty, which at a minimum is for one (1) year for all work performed and materials provided as part of the construction contract;

   c. an unconditional Certificate of Occupancy from the city and borough of Juneau unless otherwise approved by AHFC;

   d. assignment for collateral purposes of the land lease with an expiration date no sooner than 2047;

   e. ALTA title policy with applicable endorsements;

   f. evidence that all the items identified in the Home Inspection Report dated April 7, 2016 have been satisfactorily addressed;

   g. copy of Super 8 franchise approval for the mixed use of the property;

   h. all required certificates and/or binders of insurance to be no less than $3,000,000 aggregate liability coverage with a $10,000 maximum deductible; and

   i. a letter of opinion from the borrower's legal counsel verifying such matters as their legal entity, ability to enter into closing documentation, zoning compliance, permitting and licensing requirements, etc.

8. Prior to closing the long term loan the borrower must satisfy the following conditions:

   (a) Provide evidence that the project is performing at a debt service coverage ratio of 1.25; and

   (b) Provide evidence that the project has reached a sustained occupancy for the affordable units. Sustained occupancy is defined as 90% occupied for 90 consecutive days;

9. Monthly loan payment to include funds, as determined by AHFC, for (i) principal and interest, and (ii) reserve for taxes, insurance, and property replacement reserves of $2,708.33 per month;

10. Borrower to pay appropriate cost associated with the loan, including but not limited to recording, title insurance, escrow closing fee, loan fee, and legal fee for documentation preparation and review;

11. The payment of a $24,308.13 loan fee;

12. A commitment fee of $12,154.06 will be required upon acceptance of the commitment with said amount being credited against the loan fee at the time of closing. Payment of the commitment fee must be made within 30 days from the date of the commitment letter; and

13. Other conditions that may arise as determined by AHFC.

Reviewed and accepted by senior staff as substantively stated in this memorandum, subject to Board Approval:

Bryan D. Butcher	Mark Romick	Mike Strand
CEO/Executive Director	Acting Deputy Executive Director	CFO/Finance Director
Date: 6-21-16	Date: 6-21-16	Date: 6/21/16

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ALASKA HOUSING FINANCE CORPORATION
RESOLUTION NO. 2016-14

RESOLUTION APPROVING TERM FINANCING FOR AN AFFORDABLE MIXED-USE MULTIFAMILY HOUSING PROJECT FOR ALASKA JOINT VENTURE PARTNERS, LLC

BE IT RESOLVED by the Board of Directors of the Alaska Housing Finance Corporation as follows:

I. Findings:

A. There is need to provide affordable, safe, quality and accessible housing;

B. Alaska Joint Venture Partners, LLC has applied to Alaska Housing Finance Corporation to receive funds under its Multi-Family Housing Loan Program for term financing of a mixed-use multi-family project, located in Juneau, Alaska.

C. The purpose of the financing is to provide additional affordable housing opportunities for persons of lower income;

D. The proposed financing falls within the established program regulations; and,

E. The proposed financing is found to be an acceptable risk to the Alaska Housing Finance Corporation.

II. Conclusion:

Pursuant to the foregoing findings, the Board hereby approves the request substantively as stated in the June 29, 2016 Board Consideration Memorandum prepared in support of the application.

This resolution shall take effect immediately.

DATED THIS 29th Day of June, 2016

____

Brent LeValley
Board Chair

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Appraisers
1199 Dimond Blvd, Suite 200
Anchorage, Alaska 99515
Phone: 907-274-4654
Fax: 907-274-0889
E-mail: bsr@ak.net

BLACK-SMITH, BETHARD & CARLSON, LLC

March 9, 2016

Client: Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504

Attn.: Attn: Mr. Eric Havelock

RE: Juneau Super 8 Motel
65-Room Hotel / Restricted Apartment Project
Located at 2295 Trout Street, in Juneau, Alaska

Dear Mr. Havelock:

In fulfillment of our agreement as outlined in the letter of engagement dated January 25, 2016, we submit our *appraisal report* of the estimated market value of the leasehold estate in the above referenced property. As instructed, we have appraised the property "As Complete" and "At Stabilized Occupancy". The appraisal process includes an appraisal of the property "At Stabilized Occupancy" by each relevant approach. An analysis and conclusion of value for the subject "As Complete" is included at the end of the report.

Based on an inspection of the property and the investigation and analyses undertaken, we have formed the opinion, subject to the definitions, certifications, and limiting conditions set forth in the attached report, that the property appraised has the following market values:

Prospective Market Value of the Total Assets of the Business (MVTAB) "At Market Rent" [1]		
At Stabilized Occupancy	as of February 1,2017	**$4,000,000**
Less: Allocation to Tangible Personal Property		($378,000)
Less: Allocation to Intangible Personal Property		($0)
Residual Allocation to the Real Estate		**$3,622,000**

Prospective Market Value of the Total Assets of the Business (MVTAB) "At Market Rent"		
At Stabilized Occupancy	as of February 1,2017	$4,000,000
Less: Income Loss During Rent-up	-	($26,000)
Market Value "At Completion"	as of September 1, 2016	**$3,974,000**
Less: Allocation to Tangible Personal Property		($378,000)
Less: Allocation to Intangible Personal Property		($0)
Residual Allocation to the Real Estate		**$3,596,000**

[1] Based on the Hypothetical Condition that the property is unencumbered and at market rent.

Prospective MVTAB "Encumbered by LIHTC Restrictions"		
At Stabilized Occupancy	as of February 1,2017	**$3,915,000**
Less: Allocation to Tangible Personal Property		($378,000)
Less: Allocation to Intangible Personal Property		($0)
Residual Allocation to the Real Estate		**$3,537,000**

Prospective MVTAB "Encumbered by LIHTC Restrictions"		
At Stabilized Occupancy	as of February 1,2017	$3,915,000
Less: Income Loss During Rent-up		($24,000)
Market Value "At Completion"	as of September 1, 2016	**$3,891,000**
Less: Allocation to Tangible Personal Property		($378,000)
Less: Allocation to Intangible Personal Property		($0)
Residual Allocation to the Real Estate		**$3,513,000**

As discussed with the client, the subject has not been appraised in its 'as-is' condition as a hotel. The appraisal focuses on the subject as converted to a mixed-use, low-income apartment and hotel.

This report was prepared for and our professional fee was billed to Alaska Housing Finance Corporation. It is intended for use by your internal management, your auditor and appropriate regulatory authorities.

There are several extraordinary assumptions and limiting conditions that may impact the value conclusions in this appraisal. We specifically call your attention to Page 17 in this report.

The narrative appraisal report that follows sets forth the identification of the property, the assumptions and limiting conditions, pertinent facts about the area and the subject property, comparable data, the results of the investigation and analyses, and the reasoning leading to the conclusions reached. This report was prepared in accordance with the standards and regulations as set forth in USPAP AND FIRREA.

Sincerely,
BLACK-SMITH, BETHARD & CARLSON, LLC.

Brian Z. Bethard, MAI
General Real Estate Appraiser (Cert #281)

Michael A. Forsland, Appraiser

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Borrowing Entity Vesting Map

Juneau Super 8
Subject Property

Alaska Joint Venture Partners, LLC
(Borrowing Entity Legal Name)
LLC
(Entity Type)
Alaska
(State of Organization)
Mar-16
(Date Formed)

(Tax ID#)

Is the Borrowing Entity:

- a Single Asset Entity: ☑ Yes ☐ No
- A Domestic Entity: ☑ Yes ☐ No
- A newly formed or to-be-formed entity: ☑ Yes ☐ No

Please provide comments on multi-asset entities and foreign entities on another sheet.

TBW, LLC	Hawk Technologies, LLC	Shore Investments, LLC
(Name of Entity)	(Name of Entity)	(Name of Entity)
LLC	LLC	LLC
(Entity Type)*	(Entity Type)*	(Entity Type)*
Member		Member
Entity/ Individual Role **	Entity/ Individual Role **	Entity/ Individual Role **
AK / 25	Wyoming / 50	Wyoming / 25
(State of Organization) / (% of Ownership)	(State of Organization) / (% of Ownership)	(State of Organization) / (% of Ownership)

512 AP, LLC		Randy Kaer		XBS Family Trust	
(Name of Entity)	(Name of Entity)	(Name of Entity)	(Name of Entity)	(Name of Entity)	(Name of Entity)
LLC		Individual		Trust	
(Entity Type)*	(Entity Type)*	(Entity Type)*	(Entity Type)*	(Entity Type)*	(Entity Type)*
Member		Member		Member	
Entity/ Individual Role **	Entity/ Individual Role **	Entity/ Individual Role **	Entity/ Individual Role **	Entity/ Individual Role **	Entity/ Individual Role **
AK / 100		AK / 100		Arizona / 100%	
State of Org / % Ownership	State of Org / % Ownership	State of Org / % Ownership	State of Org / % Ownership	State of Org / % Ownership	State of Org / % Ownership

* Type: General Partnership, limited Partnership, Limited Liability Company, Corporation, etc.
** Role: General Partner, Limited Partner, Shareholder, Trustee, Member, Managing Member, Individual, President, etc.

I hereby certify that the above vesting map accurately reflects the ownership interests of the exisiting, or to be formed, borrowing entity for the proposed loan transation.

By: Randy Kaer
Randy Kaer (May 26, 2016)
Randy Kaer

Title: Alaska Joint Venture Partners, LLC

Date :

Resume of Randy Kaer

Background / Experience

Current, Developing Housing projects in Alaska.

2007 - 2013 Alpine Energy LLC. Worked on developing various Electrical Generation projects, Teamed and partnered with different companies, such as J power USA, Kawasaki, estimating, bidding, developing various projects. In Alaska and Lower 48.

2007 Condos Soldotna Alaska 28 each 1200 sq. ft units. Owner builder.

2000 - 2006 developed subdivision morning side loop developed and built 12 4-plex units.

I Hop Constructed Restaurant Tudor Road Anchorage.

General Contractor Hacienda Restaurant Wasilla Alaska.

2006 Developer Contractor Big Lake Resort Condo's built 23 Resort condos Big lake Alaska

2003 2004, Owner, Titan Manufacturing Alpine TrussSteel, Manufactured steel roof trusses and floor joists, customers were military projects. Company bought out by Spenard Builders Supply. Link to example project on Fort Wainwright. http://www.trussteel.com/green/applications-projects/36-military/138-projects-fort-wainwright.html

2002 purchased and renovated 90 room hotel in Anchorage Ramada Anchorage Downtown

1998 Ramada Limited Hotel Anchorage 207 Muldoon Road, Kaer Mayo LLC. Built and owned 50 room property

1983 to 1999 construction contractor specializing in commercial building interiors commercial remodeling and tenant improvements. 80 employees, Estimating and active in all phases of construction. Owned company. Completed over 2500 Tenant improvements, some new construction, shopping mall, warehouses etc.

81-82 Southern Oregon University – Business Major

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ALASKA

Economic Outlook[29]

Alaska's economy faces significant headwinds in 2016, largely due to sustained low oil prices. The state is forecast to lose about 2,500 jobs in 2016, a 0.7 percent decline, after gaining 1,700 jobs in 2015. This would be the first year of job losses since 2009, when Alaska felt the wake from the national recession. The state's job growth rebounded quickly in 2010 and remained relatively strong through 2012, buoyed by the federal stimulus package, large capital budgets, and high oil prices. Growth slowed to a crawl in 2013, and employers added jobs at a yearly rate of half a percentage point or less between 2013 and 2015.

Anticipated job losses are tied directly to low oil prices, which averaged close to $53 per barrel in 2015, and to a lesser extent to declining oil production. Sustained low oil prices impinge Alaska's economy on two fronts: directly, through cuts to oil industry investment and employment, and indirectly, through state government budget deficits that lead to spending cuts. Consequently, job losses will be concentrated in the oil and gas industry and state government as well as the construction industry, which will be hit by reduced investment from oil companies and capital budgets. Despite downward pressure, 2016's job losses are anticipated to be fairly isolated. The ripple effects of lower employment and spending aren't likely to extend into other industries this year.

Population Trend[30]

Despite more people moving out of Alaska than moving in, the state's overall population actually grew slightly between 2014 and 2015, according to new state estimates.

Alaska's population increased by 271 people between July 2014 and July 2015, according to population estimates released Thursday by the Alaska Department of Labor and Workforce Development. That brings the state's new estimated population to 737,625, with growth in 11 of Alaska's 29 boroughs and census areas.

The Matanuska-Susitna Borough grew the most (between 2014 and 2015), adding 1,801 people. Anchorage, meanwhile, lost 1,458 people -- a larger dip than any other area -- dropping the city below 300,000 citizens to an estimated population of 298,908.

Overall, 6,774 more people moved out of Alaska during the time period than moved into the state. There were also 11,327 births between 2014 and 2015 but only 4,282 deaths, leading to a natural increase of 7,045 people.

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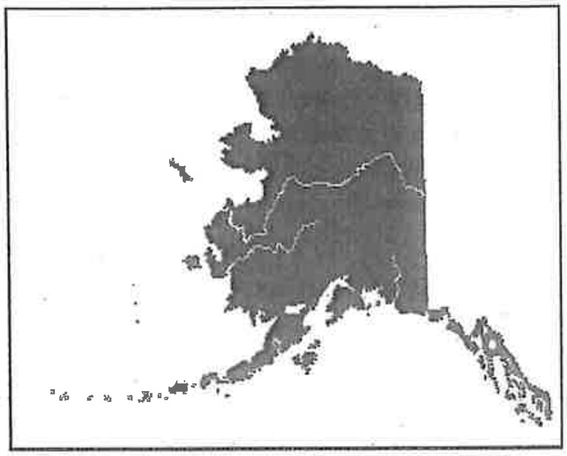
29 Caroline Schultz, Alaska Economic Trends January 2016
30 Alaska Dispatch News – January 14, 2016

"It is highly likely that the net out-migration growth is due to relatively more favorable employment opportunities outside Alaska than in Alaska," said Gunnar Knapp, director and professor of economics at the Institute of Social and Economic Research at the University of Alaska Anchorage.

This marks the third year in a row that more people left the state than arrived here.

JUNEAU, ALASKA[31]



Located on the mainland of Southeast Alaska, Douglas Island, the City of Juneau was built at the heart of the Inside Passage along the Gastineau Channel. It lies 900 air miles northwest of Seattle and 577 air miles southeast of Anchorage. The area encompasses 2,716.7 sq. miles of land and 538.3 sq. miles of water. It is in the mildest climate zone in Alaska. Temperatures range 25 to 65 °F.

Juneau is accessible only by air and sea. Scheduled jet flights and air taxis are available at the municipally-owned Juneau International Airport. Marine facilities offer a seaplane landing area at Juneau Harbor, two deep draft docks, five small boat harbors, and a state ferry terminal. The Alaska Marine Highway System and cargo barges provide year-round services.

The City of Juneau was formed in 1900 and was originally comprised of a 160 acre parcel assembled by Joe Juneau and Richard Harris (the area formerly called "Harrisburg"). The state capital was transferred from Sitka to Juneau in 1906 while Alaska was a U.S. territory. Gold mining, fishing, canneries, a sawmill, transportation and trading services, contributed to Juneau's growth through the early 1900s. In 1970, the City of Juneau, the City of Douglas, and the Greater Juneau Borough were unified into the City & Borough of Juneau.

As the state capital, Juneau is supported largely by state and federal employment and by tourists cruising the Inside Passage. It is the third largest community in Alaska. About one-third of residents live downtown or on Douglas Island; the remaining two-thirds live elsewhere along the roaded area.

Current Population:	33,026 (2014 Alaska Department of Labor Estimate)
Incorporation Type:	Unified Home Rule Municipality
Taxes:	Sales: 5%, Property: 10.66 mills (median rate), Special: 3% Liquor Tax; 7% Bed Tax; $1 per pack Tobacco

State, local, and federal agencies provide most of the local jobs. Juneau is home to state legislators and their staff during the legislative session between January and April. In

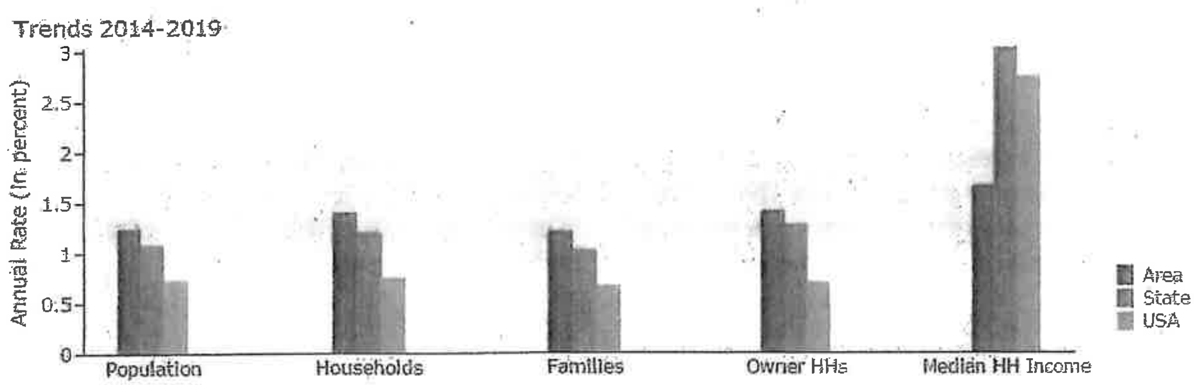
31 Source: Alaska Department of Commerce Community Information Database.

2011, 259 Coast Guard personnel was stationed in Juneau. Tourism is a significant contributor to the private sector economy during the summer months. Most cruise ship make it a port of call. The Mendenhall Glacier, Juneau Icefield air tours, Tracy Arm Fjord Glacier, state museum, and Mount Roberts Tramway are local attractions. Support services for fish processing contribute to the Juneau economy. In 2011, 357 residents held commercial fishing permits. DIPAC, a private non-profit organization, operates a fish hatchery that increases the local salmon population. The close-by Kennecott Green's Creek Mine produces gold, silver, lead, and zinc and is the largest silver mine in North America

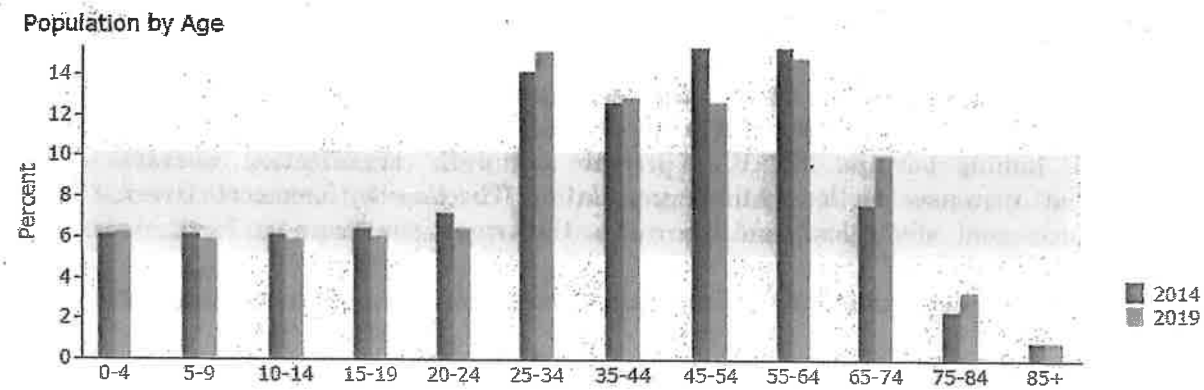
The most recent population and median income levels for the area are summarized in the following tables.[32]

Summary	Census 2010	2014	2019
Population	31,213	33,053	35,154
Households	12,164	13,028	13,964
Families	7,730	8,171	8,672
Average Household Size	2.49	2.47	2.45
Owner Occupied Housing Units	7,577	7,996	8,574
Renter Occupied Housing Units	4,587	5,032	5,390
Median Age	37.9	38.3	38.2
Trends: 2014 - 2019 Annual Rate	**Area**	**State**	**National**
Population	1.24%	1.07%	0.73%
Households	1.40%	1.20%	0.75%
Families	1.20%	1.02%	0.66%
Owner HHs	1.41%	1.27%	0.69%
Median Household Income	1.66%	3.02%	2.74%

	2014		2019	
Households by Income	Number	Percent	Number	Percent
<$15,000	811	6.2%	820	5.9%
$15,000 - $24,999	452	3.5%	388	2.8%
$25,000 - $34,999	685	5.3%	523	3.7%
$35,000 - $49,999	1,868	14.3%	1,756	12.6%
$50,000 - $74,999	2,315	17.8%	2,272	16.3%
$75,000 - $99,999	2,475	19.0%	2,642	18.9%
$100,000 - $149,999	2,808	21.6%	3,281	23.5%
$150,000 - $199,999	1,011	7.8%	1,438	10.3%
$200,000+	604	4.6%	844	6.0%
Median Household Income	$77,829		$84,519	
Average Household Income	$88,838		$98,723	
Per Capita Income	$35,338		$39,595	



[32] Source: Site to Do Business (STBD) Online Market Statistics, Juneau CBD / CBJ, March 31, 2015.

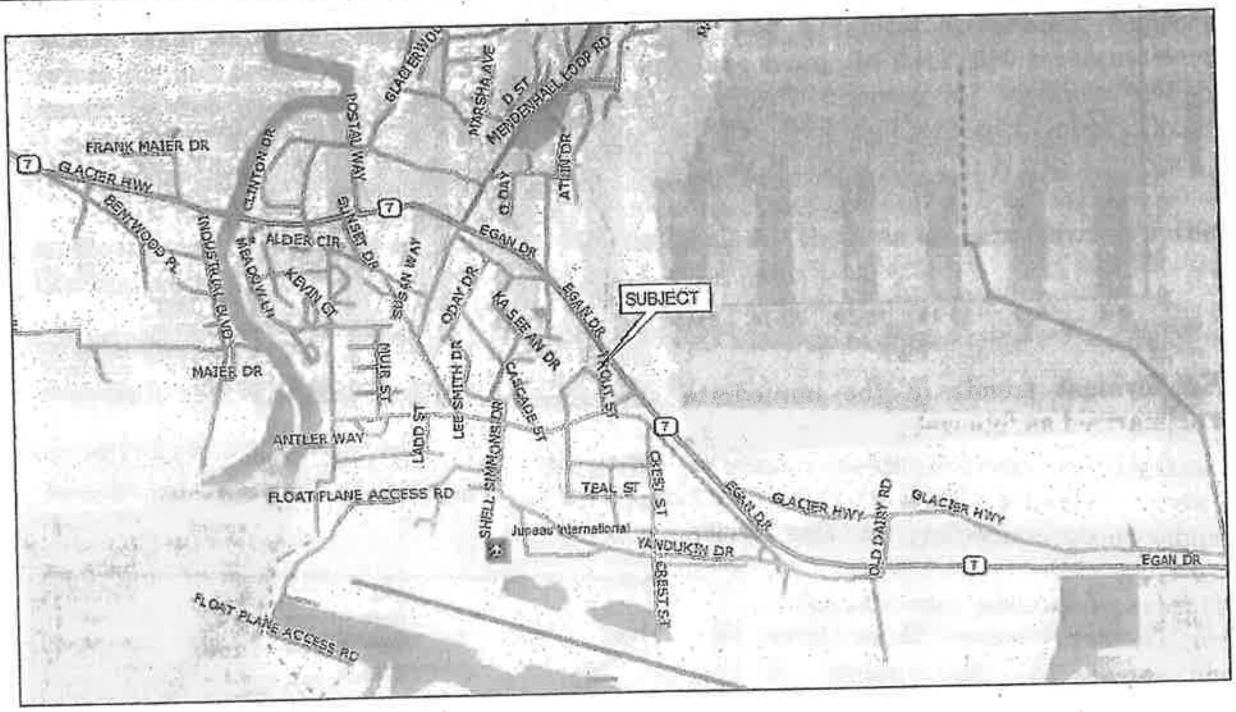


Employment trends in the immediate and general market area of the subject are summarized as follows:

CIVILIAN EMPLOYED POPULATION AGE 16+ YEARS BY INDUSTRY	2008 - 2012 ACS Estimate	Percent	MOE(±)
Total	17,146	100.0%	878
Agriculture, forestry, fishing and hunting	461	2.7%	130
Mining, quarrying, and oil and gas extraction	336	2.0%	117
Construction	1,125	6.6%	277
Manufacturing	221	1.3%	85
Wholesale trade	163	1.0%	88
Retail trade	1,579	9.2%	266
Transportation and warehousing	1,111	6.5%	204
Utilities	198	1.2%	83
Information	309	1.8%	109
Finance and insurance	320	1.9%	105
Real estate and rental and leasing	219	1.3%	87
Professional, scientific, and technical services	923	5.4%	169
Management of companies and enterprises	24	0.1%	33
Administrative and support and waste management services	367	2.1%	131
Educational services	1,708	10.0%	265
Health care and social assistance	1,948	11.4%	275
Arts, entertainment, and recreation	249	1.5%	62
Accommodation and food services	1,049	6.1%	188
Other services, except public administration	687	4.0%	160
Public administration	4,149	24.2%	365

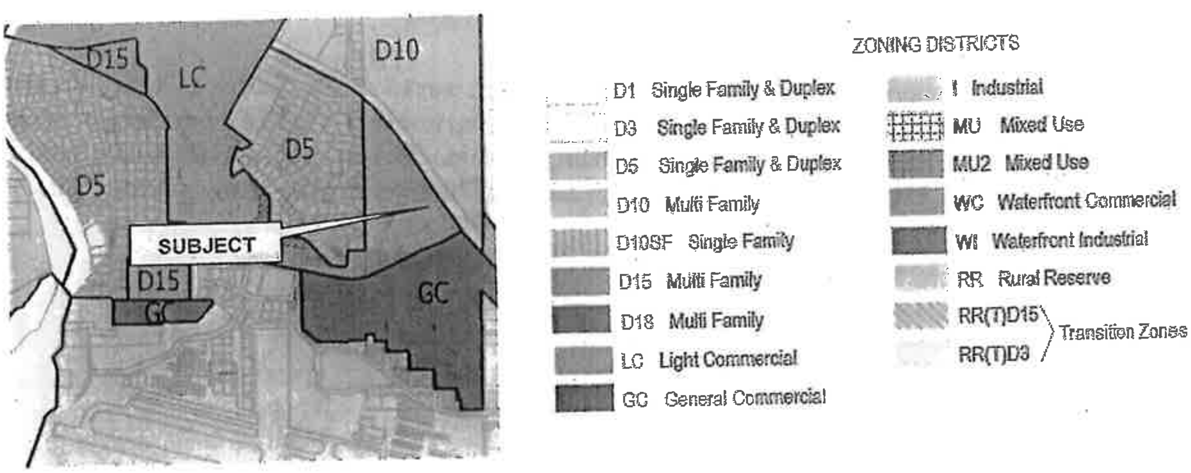
Summary

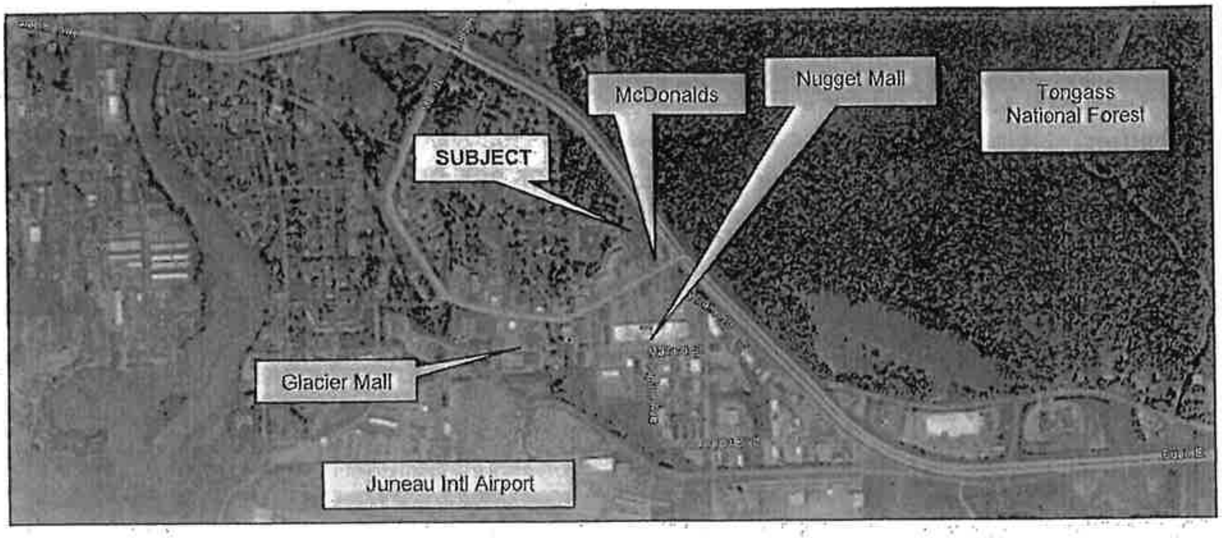
The Juneau economy continues to be supported by the legislative session and related government employment during the winter. Tourism and the cruise ship industry sustain the summer economy. There is always some concern regarding the moving of the state capital, but real estate values remain stable. The outlook is for little change.



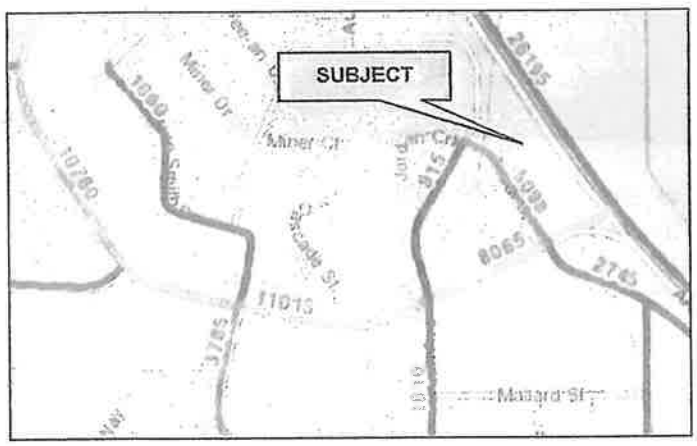
The *general neighborhood* is the international airport / Mendenhall Valley area of Juneau. This is the eastern border of the Mendenhall Valley which is bordered by the Mendenhall River and Gastineau Channel to the west and south, and the Glacier Highway / Egan Drive to the north and east of the subject.

The site is located just north of the airport on Trout Street, in a primarily commercial neighborhood, mixed with commercial office and retail with multi-family residential uses setback. Trout Street is a minor roadway that terminates near the subject's northwest corner, leading from Glacier Highway.





The area is accessed via minor roadways, Jordan Avenue and Trout Street, off of Glacier Highway. Glacier Highway is an arterial roadway which loops through the subject neighborhood, connecting it to Egan Drive.



All areas of Juneau are accessible from Glacier Highway / Egan Drive and access to the subject is considered adequate for intended uses.

Utilities include water, sewer, electricity, and telephone.

The Alaska Department of Transportation reported the 2013 average daily traffic (ADT) count to be 5,098 along Trout Street, 8,065 along the Glacier Highway, and 26,195 along Egan Drive, in the immediate area of the subject.

This is the airport district of the city of Juneau which serves state political, business and tourist uses in the area. The area is situated approximately 7 miles northwest of the downtown Juneau CBD, State Capitol building, Cruise Ships and tourist areas and is accessible from Auke Bay, Mendenhall Valley, Lemon Creek and other areas of Juneau.

Properties in the area are generally suitable for both users and investors.

Location

The subject property consists one (1) lot totaling 75,865 SF (±1.742 acres), located on the east side of Egan Drive, just north of Glacier Highway , in Juneau, Alaska.

Site Area and Dimensions

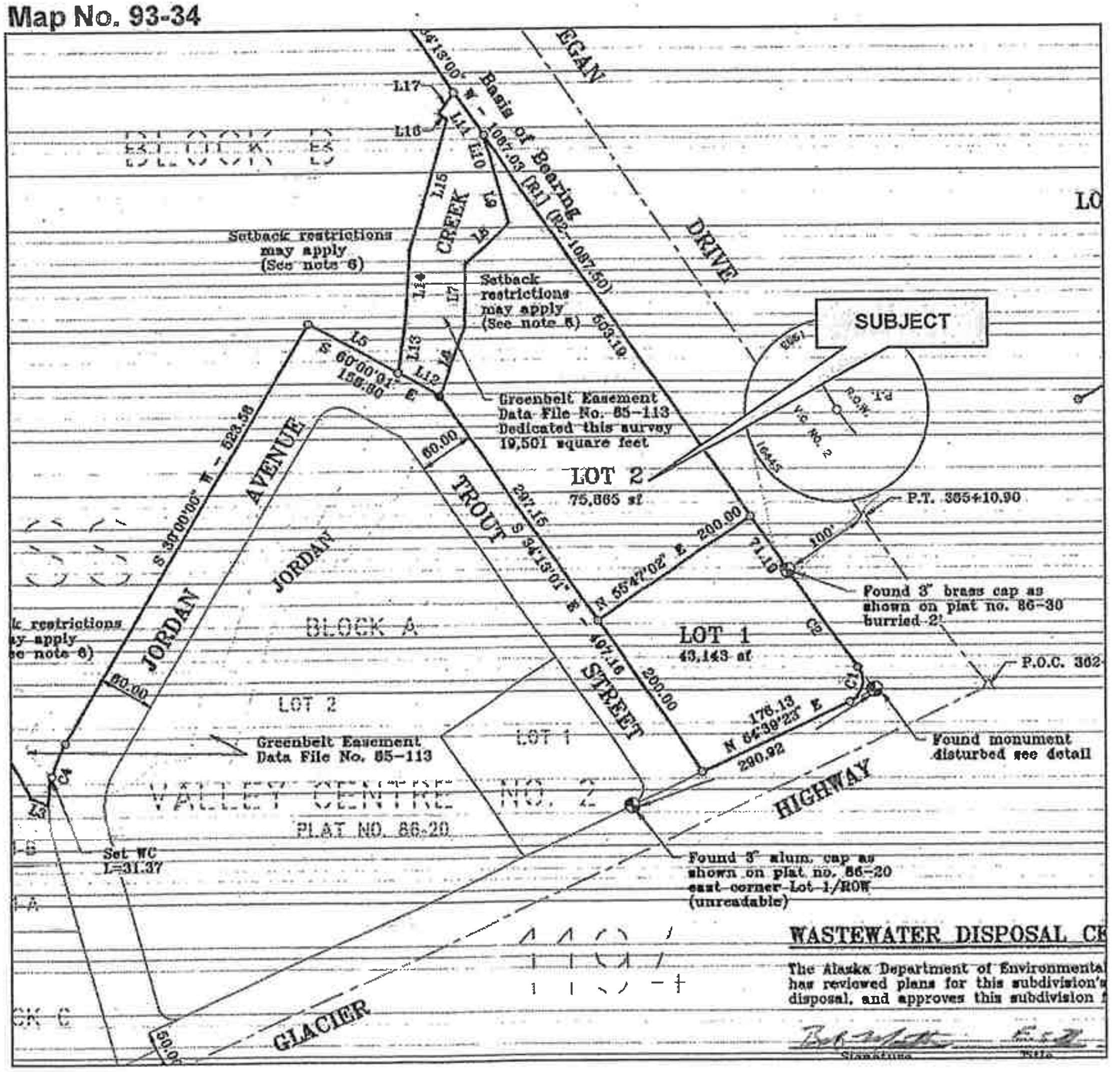
The parcel is identified as follows:

Legal Description	Address	Tax ID No.	Owner	SF	AC
Lot 2 Valley Centre No. 3 Subdivision, Plat 93-34	2295 Trout Street	5B1501110026	Arctic Hospitality LLC	75,865	1.742

Shape

The subject lot is irregular in shape.

Plat Map No. 93-34



Utilities

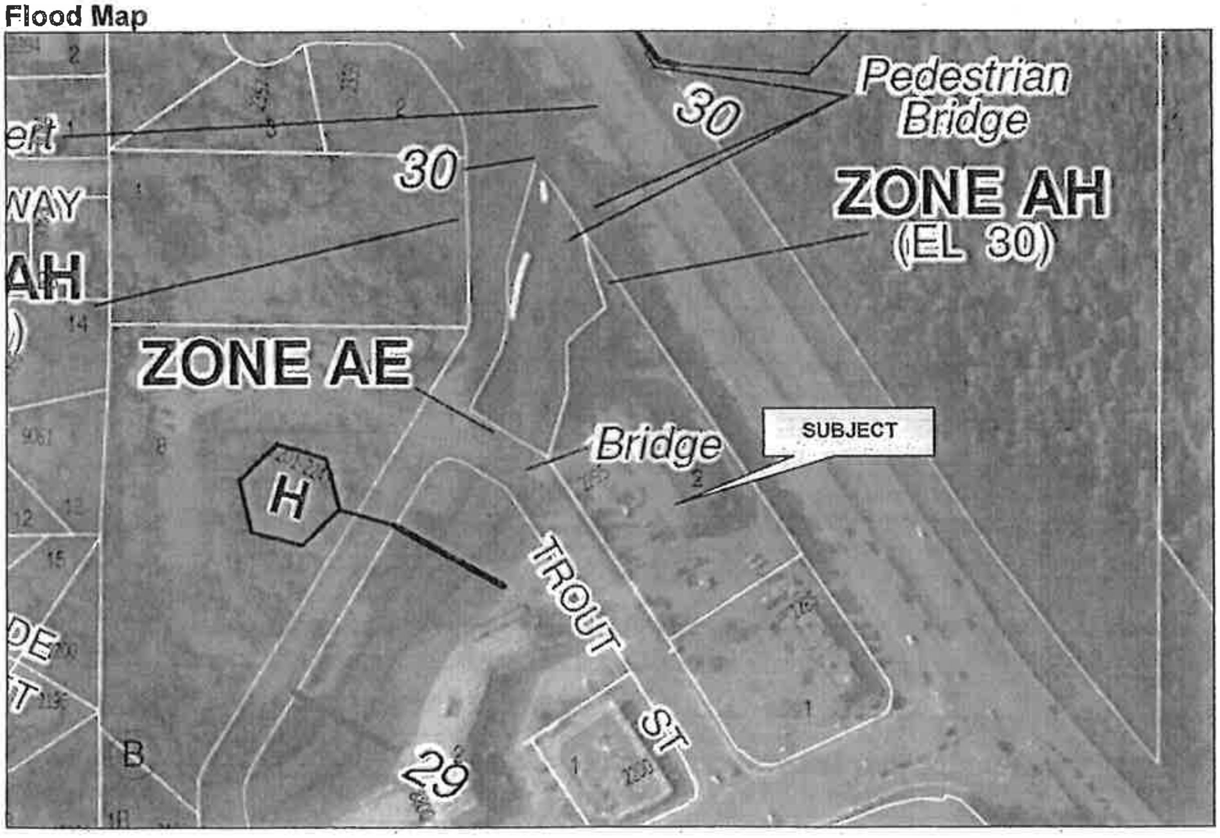
All public utilities are available, including electric, water and sewer. Oil or electric is used for heating in the area.

Topography and Soils

The site is cleared, generally level, and at grade of surrounding streets.

Jordan Creek runs along the north lot line. The property is located outside designated wetlands[33], but a small northern portion is located within flood zone AH: flood insurance risk zone that corresponds to the areas of 1% annual chance shallow flooding (usually areas of ponding) where average depths are between 1 and 3 feet.[34]

Flood Map



A soils report was not provided, and it is assumed that the soils are adequate to support development as evidenced by the existing improvements.

Access and Frontage

The site has ±300' of frontage along Trout Street (asphalt paved neighborhood street partially improved with sidewalks, curbs, and gutters). The subject also has ±500' along

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33 Juneau Wetlands Management Plan, May 1994, page 16.

34 2013 FEMA Flood Overlay Map – Mendenhall Valley 2.

Egan Drive (a main paved arterial); however, a treed buffer is between the subject and Egan Drive, limiting exposure. Access is via Trout Street and is considered adequate.

Environmental

We were not provided with an environmental report. We developed our opinion of value according to the extraordinary assumption that the site is not affected by environmental issues and is considered to be clean.

Easements

A title report was not provided. The plat map reports the following easements:

- Jordan Creek Setback Restrictions along the north lot line states: "development and/or further disturbance is prohibited within 50 feet of the banks of Jordan Creek, or as otherwise set forth in the City and Borough of Juneau code and other applicable local, state, and federal law.

The setback restriction is contained to the peripheral of the site. Based on the site plan 'as-is and as-proposed', the existing easements have been incorporated into a site plan without limiting utility.

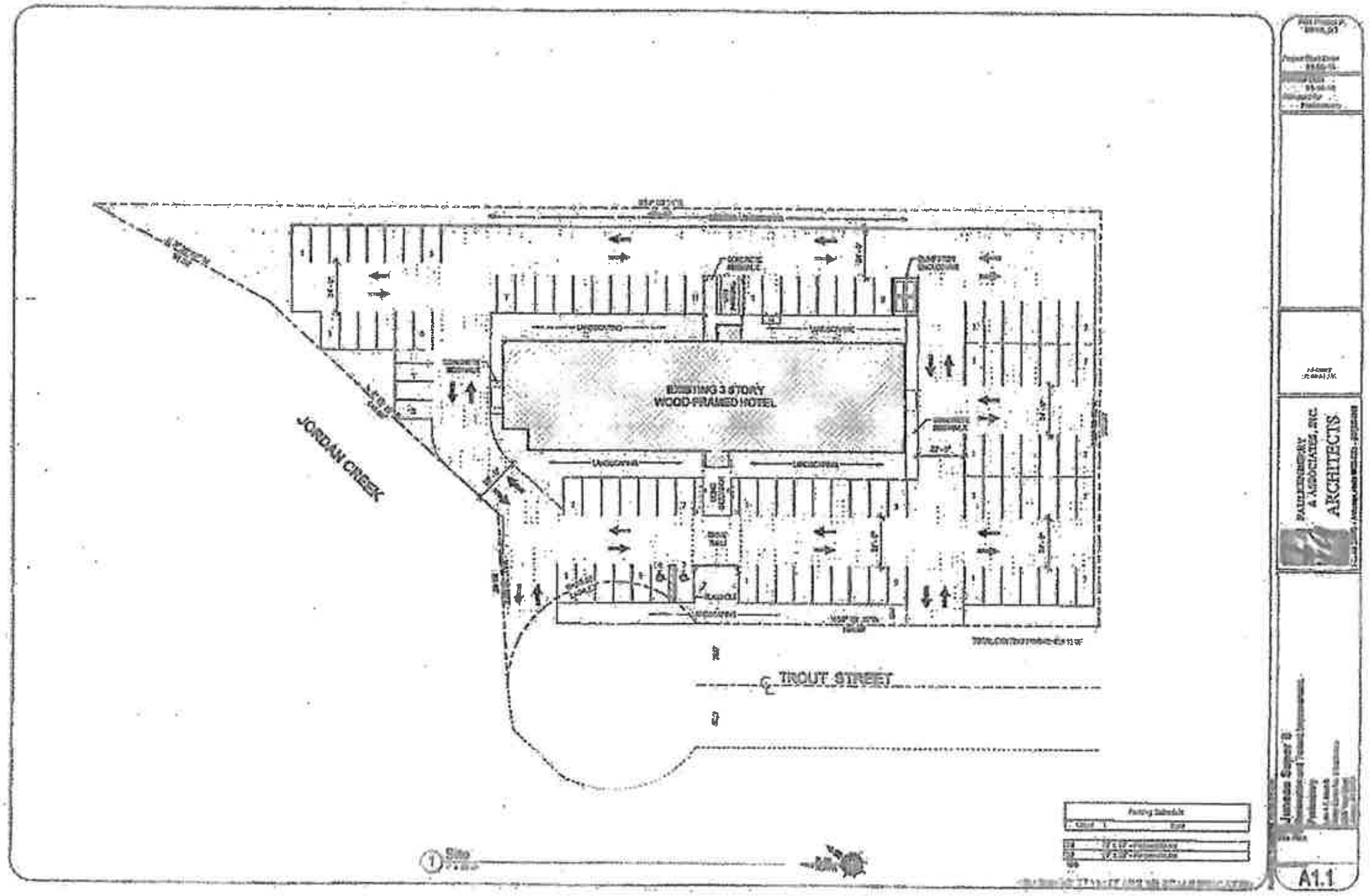
Zoning

The property is zoned LC *(Light Commercial District)* which is "intended to accommodate commercial development that is less intensive than that permitted in the general commercial district. Light commercial districts are primarily located adjacent to existing residential areas. Although many of the uses allowed in this district are also allowed in the GC, general commercial district, they are listed as conditional uses in this district and therefore require commission review to determine compatibility with surrounding land uses. A lower level of intensity of development is also achieved by stringent height and setback restrictions. Residential development is allowed in mixed- and single-use developments in the light commercial district."

The existing use is a conforming, permitted use in regards to the current zoning regulations.

Suitability of the Site

The subject contains a total site area of 75,865 SF (±1.742 acres). It is cleared, level, and at grade of surrounding streets. Access is adequate and all utilities are available. Overall, the subject site and neighborhood is suited for commercial / multi-family residential development.



Black-Smith, Bethard and Carlson LLC.

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AS-PROPOSED

As proposed, the subject will be converted into a 65-room hotel / restricted apartment project. The units will consist of (45) standard hotel rooms, (5) extended stay rooms, and (16) restricted rental apartments (restricted at 50% AMI), with a gross building area (GBA) of 30,747 SF.[36]

A set of building plans was provided (copies are located in the addenda). The area calculations are presented as follows:

Floor	# Rooms	Room Summary	NRA	Other Rooms	GBA
Floor No. 1	20	(9) 264 SF rooms (2) 279 SF rooms (8) 312 SF rooms (1) 430 SF room	3,676 SF	Common area entrance/front desk, hallways/stairs, public bathrooms, laundry, workout, elevator, and mechanical	10,249 SF
Floor No. 2	26	(10) 264 SF rooms (2) 279 SF rooms (10) 312 SF rooms (1) 329 SF room (1) 425 SF room (1) 430 SF room (1) 792 SF unit * (1BR)	8,294 SF	Hallways/stairs and elevator	10,249 SF
Floor No. 3	19	(1) 641 SF unit * (1BR) (8) 396 SF units * (2) 411 SF units * (1) 430 SF unit * (6) 468 SF units * (1) 736 SF unit * (1BR)	8,605 SF	Hallways/stairs and elevator	10,249 SF
Total NRA	**65**		**20,575 SF**		

Total GBA		**30,747 SF**

Total Common	**10,172 SF**	Total GBA – Total NRA

* Rooms have a kitchenette.

The rooms are inventoried into four types:

Type	Available Rooms
Double Full	17
King	48
Total	*65*

36 As-is Building Plans provided by developer – see Addenda; 10,249 SF per floor x 3 floors = 30,747 SF GBA.

The subject "as proposed" is based on discussions with the developer. A detailed renovation cost break down was provided (see Addenda). Information regarding the acquisition / renovation of the project is as follows:

Summary of the Developer's Cost Estimate (as proposed)		
Estimated Construction Cost ***excluding*** entrepreneurial profit and land	30,747 SF	
Acquisition of Buildings *		* $1,660,000
Construction / Rehabilitation Costs **	$33/SF	** $1,468,331
Total Indicated Improvement Cost		$3,128,331
Total Indicated Improvement Cost (rounded):	$87/SF	**$3,128,000**

* Purchase and Sale Agreement (includes real estate and all tangible/intangible assets)
** Includes FF&E ($260,861)

CONSTRUCTION FEATURES

The following building description is based on building plans, information provided by the developer, and observations from our on-site inspection. The building description is presented as an overview of the basic construction features.

Foundation

The foundation is concrete.

Framing

The subject consists of (1) three-story, wood-framed hotel/apartment building totaling 65 units. Existing exterior walls are covered with hardi-board siding and will be repainted. Existing exterior wall covering will be re-painted. Interior ceilings are ±9 feet. Windows are double panel, vinyl.

Floors

Floors are wood joist, finished with plywood sheeting. Unit floor coverings will consist of new, average quality, carpeting and pad with tile in wet areas. Hallway floor coverings will consist of hardwood floors; lobby floor will be tile.

Roof

The roof is wood-framed trusses covered with clay shingles. The property manager reported roof leaks due to cracks in the shingles from winter snow loads and/or ice. Annual seasonal maintenance every spring was noted. Proposed roof work was not indicated on the renovation cost estimate. The developer reported no roof issues and that he is aware of the periodic maintenance. Regardless, the appraisal is developed according to the extraordinary assumption that the roof is in average, functional condition.

Interior Finish

Existing wall and ceilings are sheet-rocked, taped, textured and painted. The addition of walls on the 3rd floor and all hallway ceilings and walls will be re-rocked, taped and textured (walls will be redone for installation of new water piping throughout). Hallway walls will be covered with wallpaper. All units and common areas will have new paint. All doors (including in-unit and entry doors) will be new. The majority of the existing windows are glass set in metal frames and are in average condition. Several windows have been replaced and are glass set in vinyl frames. New window screens will be added to all existing windows.

In general, the interiors will be average to average-plus finishes with quality workmanship.

Insulation

All insulation is assumed to be adequate.

Mechanical, Plumbing, and Electrical

Each unit is heated by fuel-oil, hot water radiant baseboard. The existing oil-fired water heaters will be replaced with (2) new boiler fired water heaters.[37] One of two existing water pumps was recently replaced (±1 year ago). The existing water piping will be replaced with new PEX piping throughout the entire building. Electrical and plumbing are assumed to be adequate and commensurate with the overall quality and condition of the project. (20) units will have new kitchenettes, featuring cabinets, sink, refrigerator, and electric range. All bathrooms consist of a sink and vanity, shower/tub, and toilet. A new bathroom exhaust system will be added throughout. The existing fire alarm system will be upgraded; the existing elevator will be modernized. The ground floor laundry/linen room had a utility sink and (2) heavy duty washers and (2) commercial grade dryers – all relatively new per the on-site manager.

Amenities

The lobby / common area will be expanded, featuring a new rock-walled fireplace. The ground floor will feature a new workout room, coin-operated common laundry room, and public bathroom.

Site Improvements

Existing asphalt will be re-patched (where needed) and re-sealed with parking spaces re-painted. The site plan shows 103 spaces. Current CBJ standards are 1.0 space per 1-bedroom unit (multi-family) and/or 1.0 space per unit (for motels), totaling 65 spaces required.[38] On-site parking is considered adequate.

New landscaping, fence, signage, and exterior lights is proposed.

Condition and Effective Age

The Marshall Valuation Service estimates the life expectancy at 50 years ±. The actual age is ±33 years. After renovations, the subject will be in 'like new' condition for its age. The estimated age will be ±10 years as proposed, with an estimated remaining life of 35 years +.

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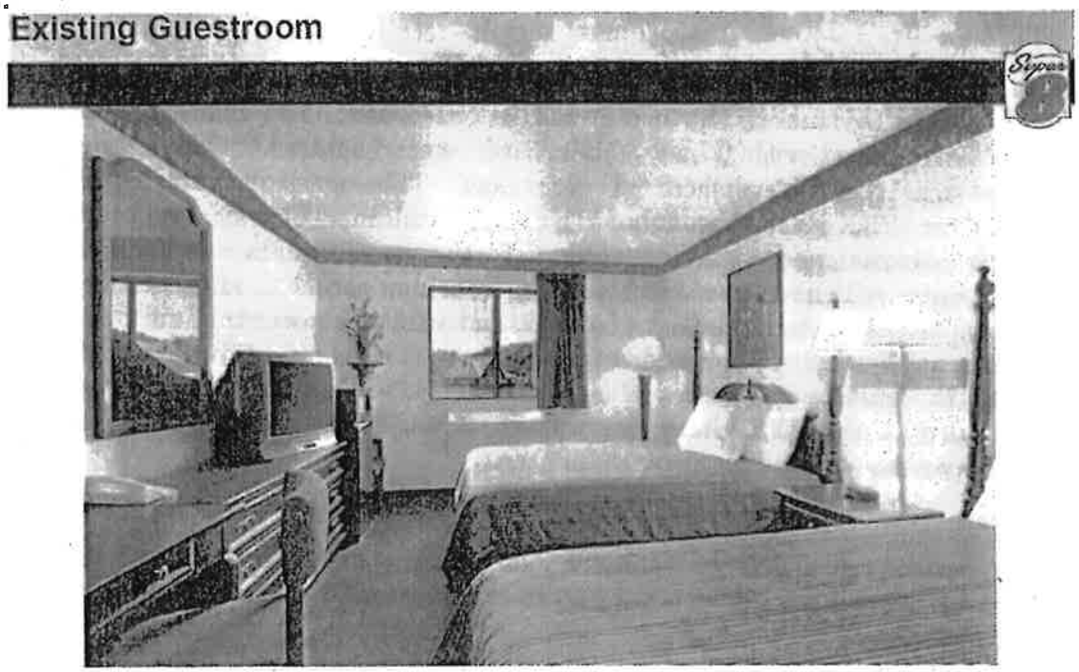
37 As of March 1, 2016 (date of inspection), there were (2) recently replaced 160 gallon oil-fired water heaters. The dates of installation were August 2014 and August 2015.

38 Juneau, AK Code of Ordinances: 49.40.210 Minimum space and dimensional standards for parking and off-street loading: Subject units = (20) studios x 1 space and (45) motel units x 1 space = 65 spaces required.

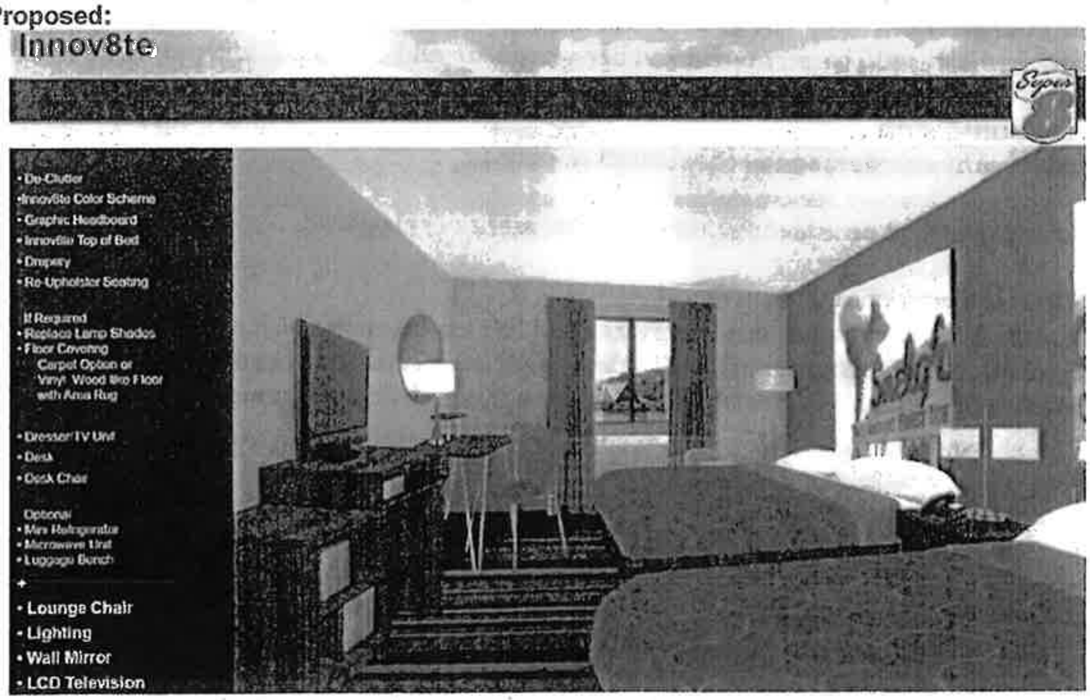
Furniture, Fixtures, and Equipment (FF&E)

As-proposed, all of the units are furnished beds, table(s), couch, chairs, dressers, lamps, and televisions. (15) units are furnished with kitchenettes – including refrigerator and electric range. Each standard room will have a mini-refrigerator and microwave unit. The developer provided a detailed cost estimate for the FF&E, totaling $260,861. A guestroom design plan is as follows:

As-Is:



As Proposed:



Functional Utility
Overall, functional utility is adequate for the intended use. The building is well situated to allow adequate ingress/egress. Room sizes and layouts are also functional. The subject represents a substantial improvement with a long-term economic life expectancy. The improvements represent a conforming, compatible use, and will be in "like new" condition for its age.

As proposed, the existing improvements will receive significant renovation, new construction, and rehabilitation. A review of plans and renovation list provide by the developer, indicates the following:

Demolition	
Demo carpet	3000 SQ YDS
demo tile	300 SQ FT
demo walls, Bathroom walls & room	521 LIN FT
demo/ store doors frames	171 EACH
demo ceilings in 1st & 2nd floor hall	1770 SQ FT
demo sheet rock from hall walls 1,2,3 floors	1020 lin ft
demo bathroom plumbing fixtures	1 allowance
demo plywood on floors for plumbing, patch	19 each
demo bath tubs for replacement	8 EACH
Refuse Fees	25 TONS
Exterior	
power wash and paint	13676 sq ft
man lift rental	1 each
drive through posts fix repair, rock base	4 each
seal parking lot	34712 sq ft
paint lines	105 each
replace asphault on portion	8800 sq ft
lanscape at perimiters, interior	1 allowance
sand blast parking bumpers, remove replace	1 allowance
fence at creek perimiter	198 lf
EXTERIOR SIGN PACKAGE	1 allowance
sink counter with install	66 allowance
Interior	
frame walls 3rd floor labor materials	120 lf
sound channel walls	960 lf
sound board walls	30 each
insulation in walls, rock wool	960 sq ft
double rock on room walls	960 sq ft
rock room walls	1920 sq ft
rock lobby walls	500 sq ft
frame and patch in door ways	13 each
paint walls 3rd floor, 2000lf	16000 sq ft

Interior Cont.

paint walls 1st floor	16864	sq ft
paint walls 2nd floor	16864	sq ft
paint ceilings 1,2,3 rd floor	28278	sq ft
paint accent walls 1st 2nd 3rd floor	8980	sq ft
acrylic paint in bathrooms	68	each
new doors	166	each
new Jambs	166	each
Install doors and jambs	166	each
Re rock hall walls	8496	sq ft
install ceilings in halls	1770	sq ft
ceiling tile lobby repair replace ect	500	sq ft
shafts for bathroom vents	1	each
Misc Jobsite Labor & clean, expadite ect.	720	hrs
fire caulking	30	hrs
materials for fire caulking	1	allowance
wallpaper hallways	8160	sq ft
misc patch drywall throughout	100	hrs
fright on doors	1	allowance
supply bathroom tile	2100	sq ft
supply room carpet	2210	SQ YDS
supply room pad	2210	sq yds
supply hall carpet	375	sq yds
supply lobby hardwood	452	sq ft
supply install carpet base, w	6000	lin ft
supply install wood base,w	2000	lin ft
install bathroom floor tile	1925	sq ft
install room carpet	2210	sq yds
intall hall carpet	321	sq yds
install lobby hard wood	452	sq ft
intall lobby tile	400	sq ft
supply hard wood floors 3rd floor	2400	sq ft
install hard wood 3rd floor	2178	sq ft
supply install kitchen cabinets	22	sets
install above cabinets tops	22	sets
reception counter lobby	12	lf
breakfast counters lobby	12	lf
cabinets in back desk area	12	lf
fire place supply lobby	1	each
fire place install lobby	1	each
river rock on fire place wall	80	sq ft
rough cut fir and logs lobby trim	1	allowance
window fix repair replace	1	allowance
window screens	66	each
door locks new	10	
door lock controller	2	
front door time magnetic locks	1	

Mechanical

Install new water piping hot and cold	1 AS BID
Replace boilers	1 AS BID
replace hot water makers	1 AS BID
install new ducting for bath fans	66 each
replace convector covers	772 lf

Electrical

electrial in rooms	1 estimate
electrical in lobby include lighting	1 each
electrial in mechanical	1 each
em light replace	20 each
exterior lighting	15 allowance

Furniture, Fixtures, & Equipment (FF&E)

Beds	1 as bid
Bed frames	1 as bid
freight on beds	1 quote
freight on bed frames	1 allowance
furniture quote	1
install furniture	1 allowance
freight for furniture from seattle	1 allowance
blinds, new re use	1 na
soft goods	66 rooms
large refrigerators	22 each
refrigerators	44 each
TV's	66 each
wall mount bracket	66 each
full headboards	34 each
king headbords	49 each
Kitchen tables	22 each
Kitchen chairs	44 each
wall lamp	132 each
bath towel holders	66 each
sleeper sofa	8 each
Chairs	44 each
tables in rooms	22 each
freight on balance of furniture	1 allowance
TOTAL	
Lobby furnishings	
furniture	1 allowance
lobby art	1 allowance

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Great Land Home Inspections

Website: http://www.reporthost.com/greatland
Email: greatlandhome@gci.net
Inspector's email: greatlandhome@gci.net
Phone: (907) 780-4400
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P.O. Box 210905
Auke Bay, AK 99821
Inspector: Phil Paramore
Alaska Business License #1023096
State of Alaska Registered Home Inspector #203
InterNACHI Member #NACHI15042326

Property Inspection Report

Client(s): Randy Kaer
Property address: 2295 Trout Street
Juneau, AK 99801
Inspection date: Thursday, April 07, 2016

This report published on Friday, April 08, 2016 10:24:10 AM AKDT

This report is the exclusive property of this inspection company and the client(s) listed in the report title. Use of this report by any unauthorized persons is prohibited. Summary items are recommended work.

How to Read this Report

This report is organized by the property's functional areas. Within each functional area, descriptive information is listed first and is shown in bold type. Items of concern follow descriptive information. Concerns are shown and sorted according to these types:

	Safety	Poses a safety hazard
	Repair/Replace	Recommend repairing or replacing
	Repair/Maintain	Recommend repair and/or maintenance
	Maintain	Recommend ongoing maintenance
	Evaluate	Recommend evaluation by a specialist
✔	**Serviceable**	Item or component is in servicable condition
	Comment	For your information

General Information

Report number: 20160407
Time started: 230 p.m.
Weather conditions during inspection: Dry (no rain)
Temperature during inspection: Cool

Inspection fee: 682.50

Grounds

Limitations: Unless specifically included in the inspection, the following items and any related equipment, controls, electric systems and/or plumbing systems are excluded from this inspection: detached buildings or structures; fences and gates; retaining walls; underground drainage systems, catch basins or concealed sump pumps; swimming pools and related safety equipment, spas, hot tubs or saunas; whether deck, balcony and/or stair membranes are watertight; trees, landscaping, properties of soil, soil stability, erosion and erosion control; ponds, water features, irrigation or yard sprinkler systems; sport courts, playground, recreation or leisure equipment; areas below the exterior structures with less than 3 feet of vertical clearance; invisible fencing; sea walls, docks and boathouses; retractable awnings. Any comments made regarding these items are as a courtesy only.
Site profile: Level
Condition of driveway: Appeared serviceable
Driveway material: Asphalt
Condition of sidewalks and asphalt parking area: Appeared serviceable
Sidewalk material: Poured in place concrete

Exterior and Foundation

Limitations: The inspector performs a visual inspection of accessible components or systems at the exterior. Items excluded from this inspection include below-grade foundation walls and footings; foundations, exterior surfaces or components obscured by vegetation, stored items or debris; wall structures obscured by coverings such as siding or trim. Some items such as siding, trim, soffits, vents and windows are often high off the ground, and may be viewed using binoculars from the ground or from a ladder. This may limit a full evaluation. Regarding foundations, some amount of cracking is normal in concrete slabs and foundation walls due to shrinkage and drying. Note that the inspector does not determine the adequacy of seismic reinforcement.
Wall inspection method: Viewed from ground
Condition of wall exterior covering: Required repairs, replacement and/or evaluation (see comments below)
Condition of foundation and footings: Appeared serviceable
Apparent foundation type: Crawl space
Foundation/stem wall material: Poured in place concrete
Footing material (under foundation stem wall): Poured in place concrete

1) Some sections of siding and/or trim were deteriorated, split and/or damaged. Recommend that a qualified person repair, replace or install siding or trim as necessary.

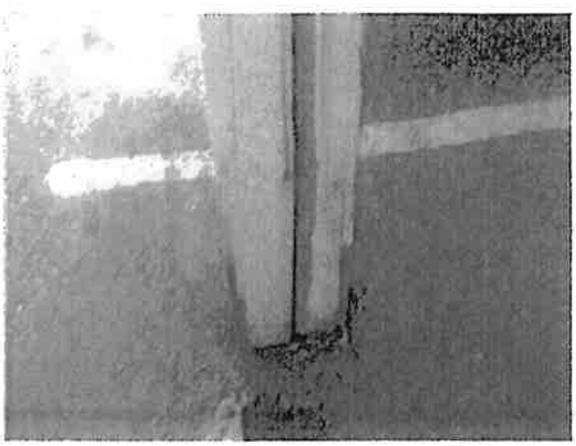

Photo 1-1

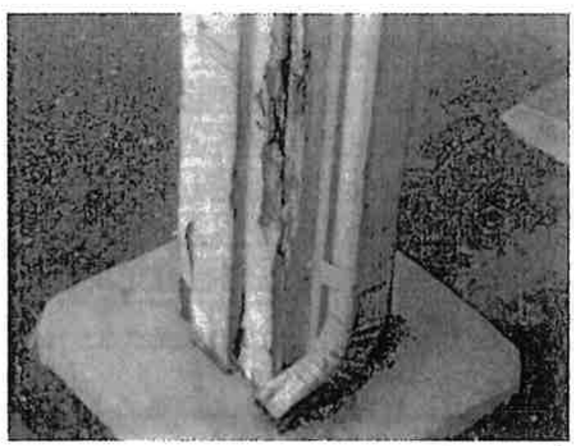

Photo 1-2

2) The paint or stain finish in some areas was failing (e.g. peeling, faded, worn, thinning). Siding and trim with a failing finish can be damaged by moisture. Recommend that a qualified contractor prep (e.g. clean, scrape, sand, prime, caulk) and repaint or restain the building exterior where necessary and per standard building practices. Any repairs needed to the siding or trim should be made prior to this.

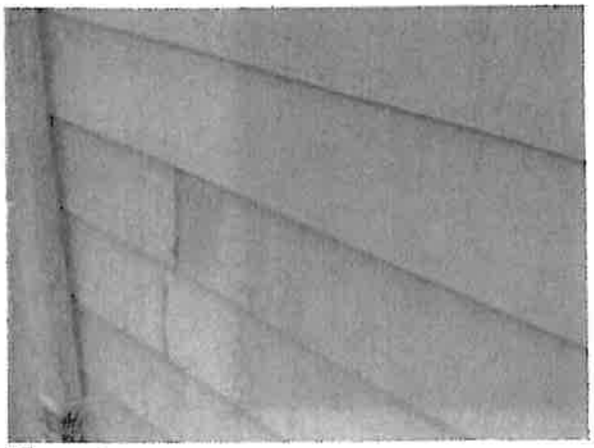

Photo 2-1

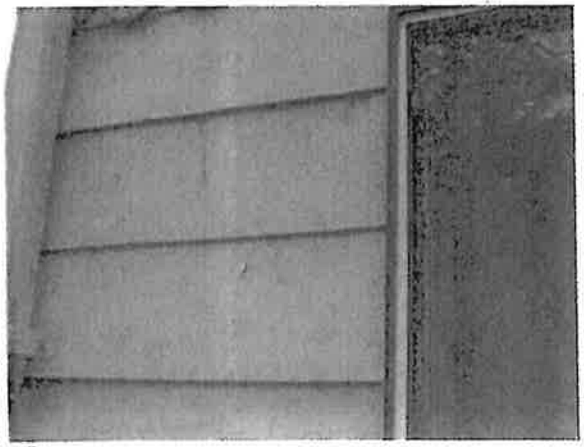

Photo 2-2

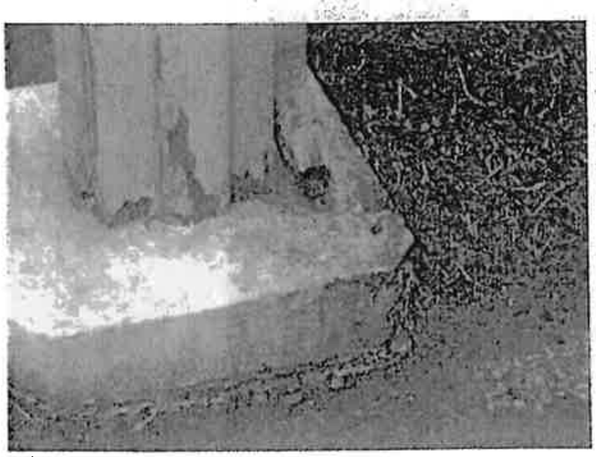

Photo 2-3

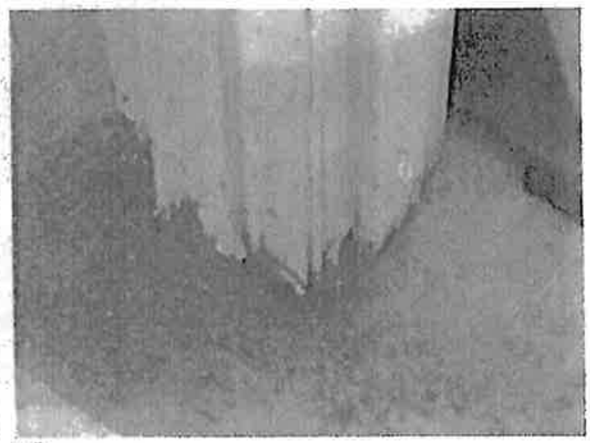

Photo 2-4

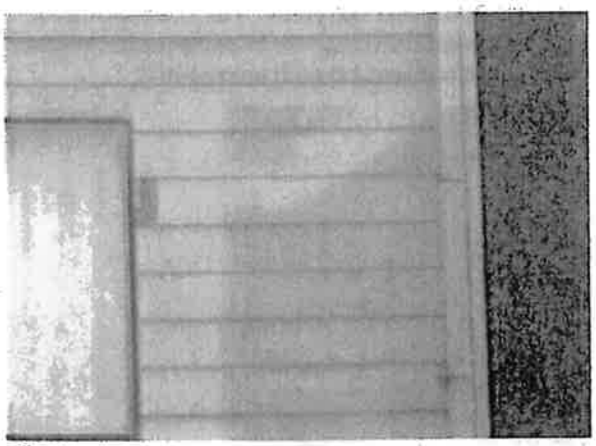

Photo 2-5

Photo 2-6

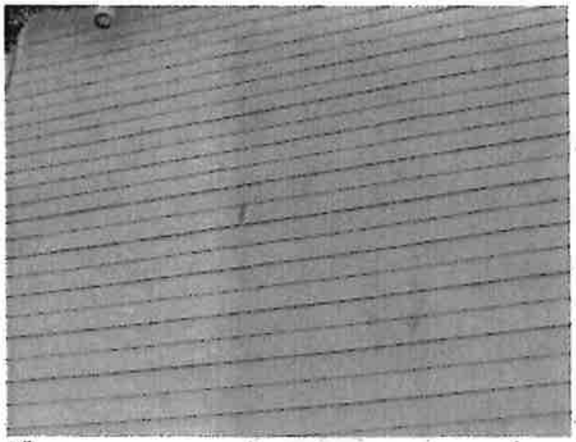

Photo 2-7

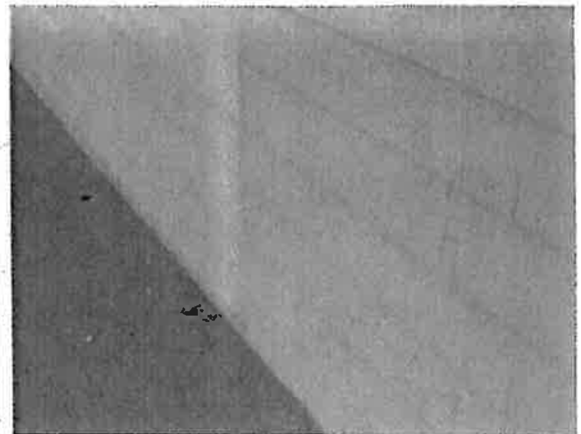

Photo 2-8

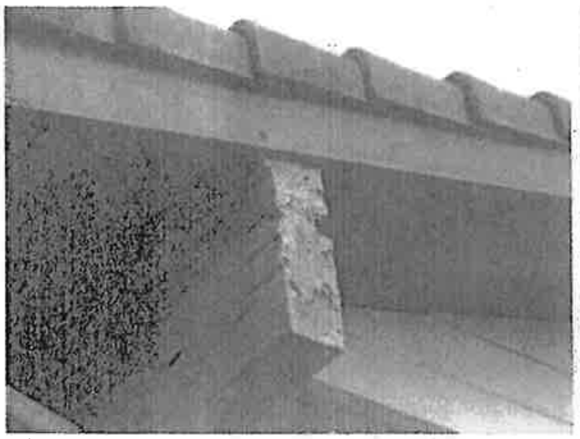

Photo 2-9

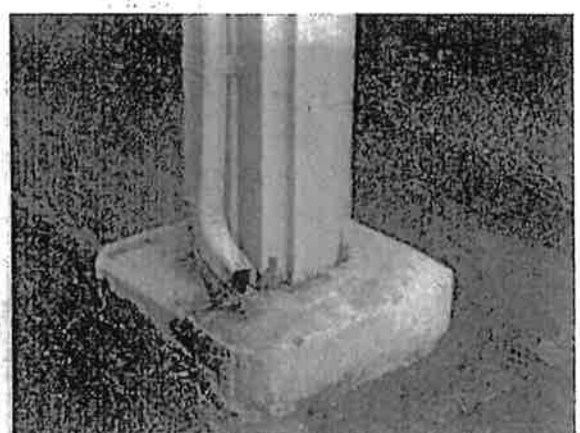

Photo 2-10

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3) Failing paint or stain was found at one or more isolated areas of trim mainly at the end grains. There is moisture in the wood in some of these areas as a result. Conducive conditions for rot should be corrected (e.g. wood-soil contact, reverse perimeter slope). Recommend that a qualified contractor repair as necessary. All rotten wood should be replaced.

Photo 3-1

Photo 3-2

Photo 3-3

4) Multiple areas of the exterior siding appear to have been repaired or replaced. There are many nail penetrations and exposed nail heads that are not sealed and could allow moisture to penetrate to the interior of the structure. These penetrations should be sealed to prevent moisture intrusion.

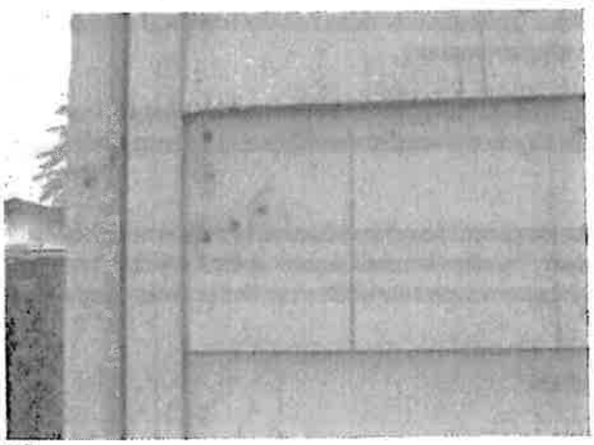

Photo 4-1

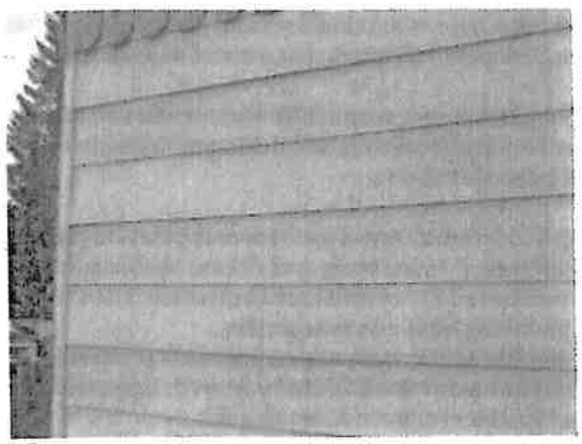

Photo 4-2

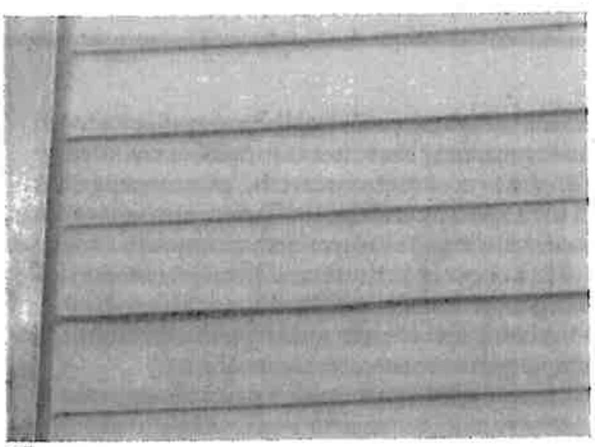

Photo 4-3

Photo 4-4


Photo 4-5

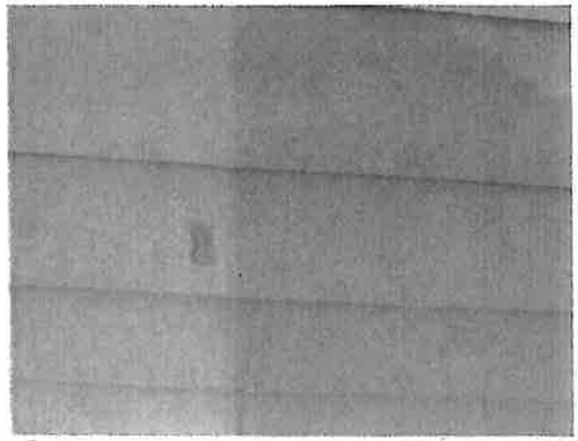
Photo 4-6

Crawl Space

Limitations: Structural components such as joists and beams, and other components such as piping, wiring and/or ducting that are obscured by under-floor insulation are excluded from this inspection. The inspector does not determine if support posts, columns, beams, joists, studs, trusses, etc. are of adequate size, spanning or spacing.

The inspector does not guarantee or warrant that water will not accumulate in the crawl spaces in the future. Complete access to all crawl space areas during all seasons and during prolonged periods of all types of weather conditions (e.g. heavy rain, melting snow) would be needed to do so.

The inspector attempts to locate all crawl space access points and areas. Access points may be obscured or otherwise hidden by furnishings or stored items. In such cases, the client should ask the property owner where all access points are that are not described in this inspection, and have those areas inspected. Note that crawl space areas should be checked at least annually for water intrusion, plumbing leaks and pest activity.
Condition of floor substructure above: Appeared serviceable
Condition of insulation underneath floor above: Appeared serviceable
Condition of vapor barrier: Appeared serviceable
Vapor barrier present: Yes
Condition of crawl space ventilation: Appeared serviceable

Roof

Limitations: The following items or areas are not included in this inspection: areas that could not be traversed or viewed clearly due to lack of access; solar roofing components. Any comments made regarding these items are made as a courtesy only. Note that the inspector does not provide an estimate of remaining life on the roof surface material, nor guarantee that leaks have not occurred in the roof surface, skylights or roof penetrations in the past. Regarding roof leaks, only active leaks, visible evidence of possible sources of leaks, and evidence of past leaks observed during the inspection are reported on as part of this inspection. The inspector does not guarantee or warrant that leaks will not occur in the future. Complete access to all roof and attic spaces during all seasons and during prolonged periods of all types of weather conditions (e.g. high wind and rain, melting snow) would be needed to do so. Occupants should monitor the condition of roofing materials in the future. For older roofs, recommend that a professional inspect the roof surface, flashings, appurtenances, etc. annually and maintain/repair as might be required. If needed, the roofer should enter attic space(s). Regarding the roof drainage system, unless the inspection was conducted during and after prolonged periods of heavy rain, the inspector was unable to determine if gutters, downspouts and extensions perform adequately or are leak-free.
Roof inspection method: Viewed from ground, Viewed from windows
Condition of roof surface material: Required repair, replacement and/or evaluation (see comments below)
Roof surface material: Concrete or clay tile
Condition of gutters, downspouts and extensions: Required repair, replacement and/or evaluation (see comments below)

5) Several downspouts were damaged. Recommend that a qualified person repair as necessary.

Photo 5-1

Photo 5-2

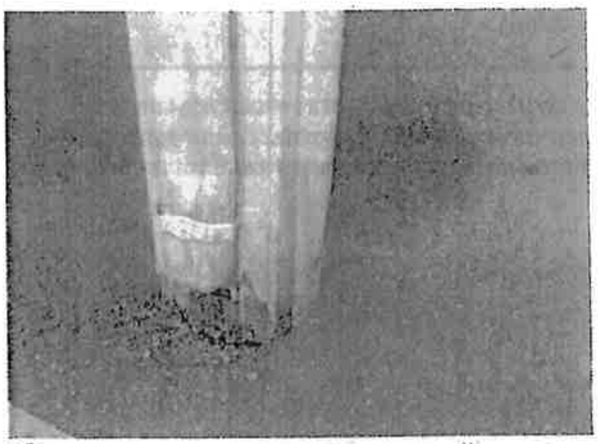

Photo 5-3

6) Extensions such as splash blocks or drain pipes for one or more downspouts were missing . Water can accumulate around the building foundation or inside crawl spaces or basements as a result. Recommend that a qualified person install, replace or repair extensions as necessary so rainwater drains away from the structure.

Photo 6-1

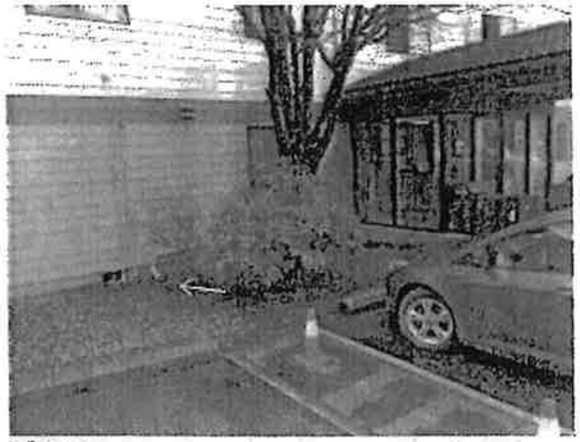

Photo 6-2
This downspout discharges water to a spot with reverse slope in relation to the foundation. Water should be diverted so it drains away from the foundation of the building.

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7) Moss was growing on the roof. As a result, tiles can be damaged. Leaks can result and/or the roof surface can fail prematurely. Efforts should be made to kill the moss during its growing season (wet months). Typically, zinc or phosphate-based chemicals are used for this and must be applied periodically. For information on various moss treatment products and their pros and cons, visit:
http://www.reporthost.com/?MOSS

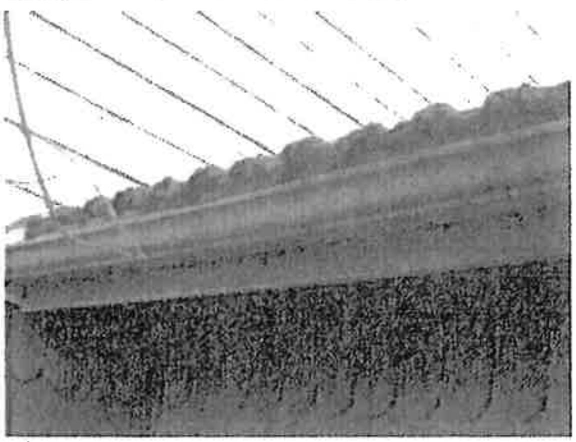

Photo 7-1

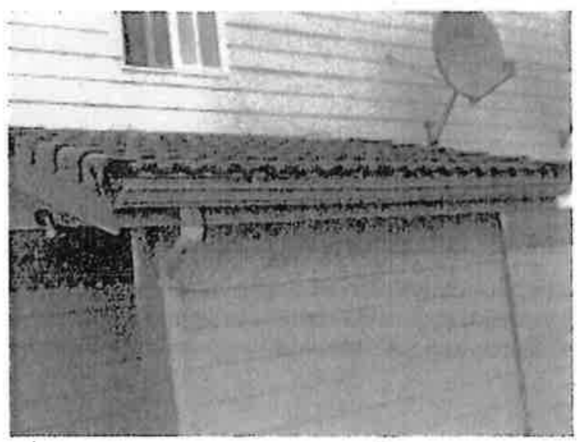

Photo 7-2

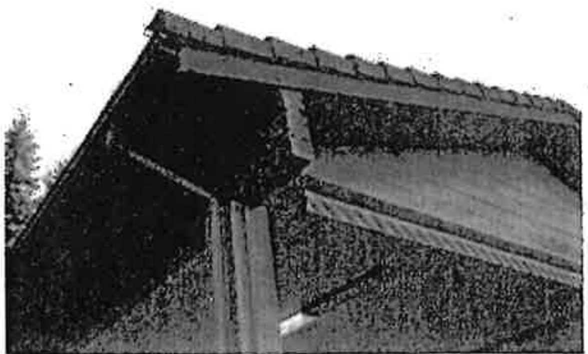
Photo 7-3

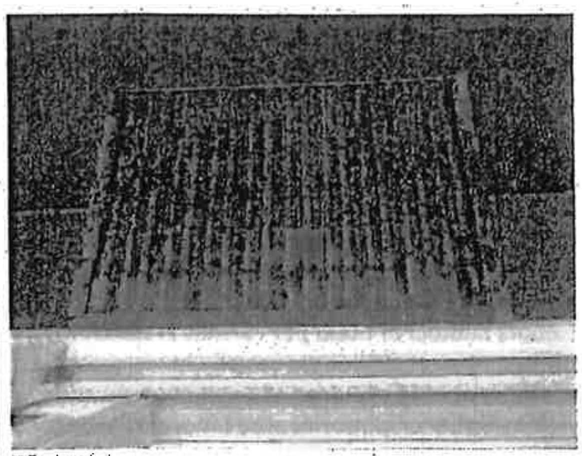
Photo 7-4

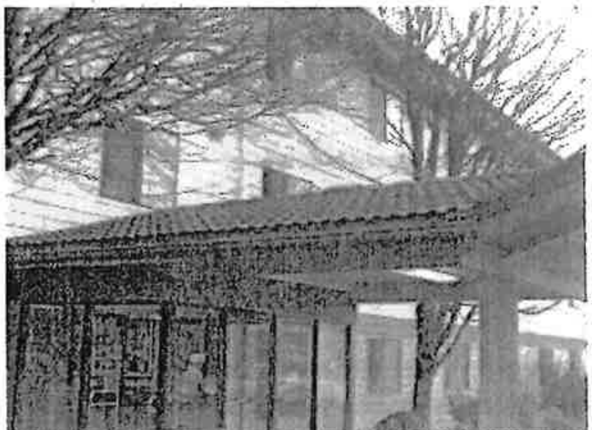
Photo 7-5

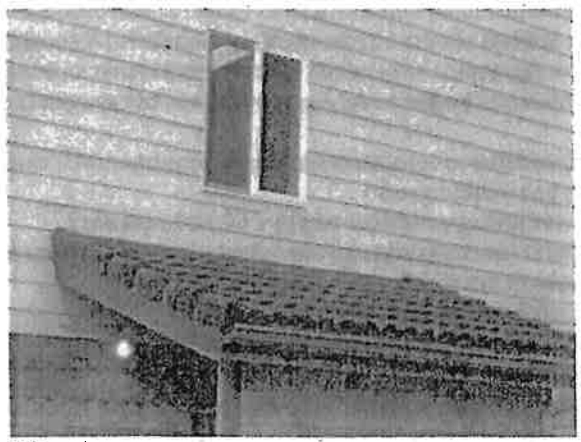
Photo 7-6

Attic and Roof Structure

Limitations: The following items or areas are not included in this inspection: areas that could not be traversed or viewed clearly due to lack of access; areas and components obscured by insulation. Any comments made regarding these items are made as a courtesy only. The inspector does not determine the adequacy of the attic ventilation system. Complete access to all roof and attic spaces during all seasons and during prolonged periods of all types of weather conditions (e.g. high/low temperatures, high/low humidity, high wind and rain, melting snow) would be needed to do so. The inspector is not a licensed engineer and does not determine the adequacy of roof structure components such as trusses, rafters or ceiling beams, or their spacing or sizing.
Attic inspection method: Viewed from hatch(es)
Condition of roof structure: Required repair, replacement and/or evaluation (see comments below)
Condition of insulation in attic (ceiling, skylight chase, etc.): Appeared serviceable
Condition of roof ventilation: Appeared serviceable

8) There is an active leak at the roof sheeting visible from the access hatch at the south end of the building. There is evidence that indicates this area has been moist for an extended period of time. Recommend the roofing system be evaluated by a qualified professional and all active leaks should be identified and repaired. Any active wood destroying organisms should be eliminated by a qualified professional.

Garage or Carport

Type: Carport

Condition of door between garage and house: Appeared serviceable

Electric

Limitations: The following items are not included in this inspection: generator systems, transfer switches, surge suppressors, inaccessible or concealed wiring; underground utilities and systems; low-voltage lighting or lighting on timers or sensors. Any comments made regarding these items are as a courtesy only. Note that the inspector does not determine the adequacy of grounding or bonding, if this system has an adequate capacity for the client's specific or anticipated needs, or if this system has any reserve capacity for additions or expansion. The inspector does not operate circuit breakers as part of the inspection, and does not install or change light bulbs. The inspector does not evaluate every wall switch or receptacle, but instead tests a representative number of them per various standards of practice. When furnishings, stored items or child-protective caps are present some receptacles are usually inaccessible and are not tested; these are excluded from this inspection. Receptacles that are not of standard 110 volt configuration, including 240-volt dryer receptacles, are not tested and are excluded. The functionality of, power source for and placement of smoke and carbon monoxide alarms is not determined as part of this inspection. Upon taking occupancy, proper operating and placement of smoke and carbon monoxide alarms should be verified and batteries should be changed. These devices have a limited lifespan and should be replaced every 10 years. The inspector attempts to locate and evaluate all main and sub-panels. However, panels are often concealed. If panels are found after the inspection, a qualified electrician should evaluate and repair if necessary. The inspector attempts to determine the overall electrical service size, but such estimates are not guaranteed because the overall capacity may be diminished by lesser-rated components in the system. Any repairs recommended should be made by a licensed electrician.
Electric service condition: Required repair, replacement and/or evaluation (see comments below)
Primary service type: Underground
Primary service overload protection type: Circuit breakers
Condition of branch circuit wiring: Required repair, replacement and/or evaluation (see comments below)
Branch circuit wiring type: Non-metallic sheathed
Smoke alarms installed: Yes, but not tested
Carbon monoxide alarms installed: Yes, but not tested

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9) Several electric receptacles at the exterior had no visible ground fault circuit interrupter (GFCI) protection, or the inspector was unable to determine if GFCI protection was present. If not GFCI-protected, receptacles in wet areas pose a shock hazard. Recommend that a qualified electrician evaluate and install GFCI protection if necessary and per standard building practices. General guidelines for GFCI-protected receptacles include the following locations:

- Outdoors (since 1973)
- Bathrooms (since 1975)
- Garages (since 1978)
- Kitchens (since 1987)
- Crawl spaces and unfinished basements (since 1990)
- Wet bar sinks (since 1993)
- Laundry and utility sinks (since 2005)

For more information, visit:
http://www.reporthost.com/?GFCI

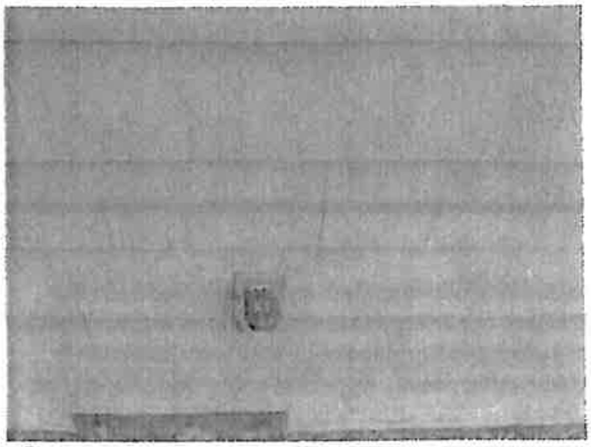

Photo 9-1

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10) One cover plate for junction boxes at the crawl space to the left of the access hatch was missing. These plates are intended to contain fire and prevent electric shock from occurring due to exposed wires. Recommend that a qualified person install cover plates where necessary.

Photo 10-1

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11) Electrical wiring appears to run too close to hot water supply lines in multiple areas of the building. Recommend wiring be evaluated by a qualified professional and repaired and replaced as necessary.

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12) Elevator is dated and appears to be near the end of its serviceable life. Recommend elevator be evaluated and consider replacement now or in the near future.

Plumbing / Fuel Systems

Limitations: The following items are not included in this inspection: private/shared wells and related equipment; private sewage disposal systems; hot tubs or spas; main, side and lateral sewer lines; gray water systems; pressure boosting systems; trap primers; incinerating or composting toilets; fire suppression systems; water softeners, conditioners or filtering systems; plumbing components concealed within the foundation or building structure, or in inaccessible areas such as below tubs; underground utilities and systems; overflow drains for tubs and sinks; backflow prevention devices. Any comments made regarding these items are as a courtesy only. Note that the inspector does not operate water supply or shut-off valves due to the possibility of valves leaking or breaking when operated. The inspector does not test for lead in the water supply, the water pipes or solder, does not determine if plumbing and fuel lines are adequately sized, and does not determine the existence or condition of underground or above-ground fuel tanks.

Condition of service and main line: Appeared serviceable

Water service: Public

Condition of supply lines: Appeared serviceable
Supply pipe material: Copper
Condition of drain pipes: Appeared serviceable
Condition of waste lines: Appeared serviceable
Vent pipe condition: Appeared serviceable
Condition of fuel system: Appeared serviceable

Water Heater

Limitations: Evaluation of and determining the adequacy or completeness of the following items are not included in this inspection: water recirculation pumps; solar water heating systems; Energy Smart or energy saver controls; catch pan drains. Any comments made regarding these items are as a courtesy only. Note that the inspector does not provide an estimate of remaining life on water heaters, does not determine if water heaters are appropriately sized, or perform any evaluations that require a pilot light to be lit or a shut-off valve to be operated.
Condition of water heaters: Appeared serviceable
Type: Tank
Energy source: Oil
Condition of burners: Appeared serviceable
Condition of venting system: Appeared serviceable

Heating, Ventilation and Air Condition (HVAC)

Limitations: The following items are not included in this inspection: humidifiers, dehumidifiers, electronic air filters; solar, coal or wood-fired heat systems; thermostat or temperature control accuracy and timed functions; heating components concealed within the building structure or in inaccessible areas; underground utilities and systems; safety devices and controls (due to automatic operation). Any comments made regarding these items are as a courtesy only. Note that the inspector does not provide an estimate of remaining life on heating or cooling system components, does not determine if heating or cooling systems are appropriately sized, does not test coolant pressure, or perform any evaluations that require a pilot light to be lit, a shut-off valve to be operated, a circuit breaker to be turned "on" or a serviceman's or oil emergency switch to be operated. It is beyond the scope of this inspection to determine if furnace heat exchangers are intact and free of leaks. Condensation pans and drain lines may clog or leak at any time and should be monitored while in operation in the future. Where buildings contain furnishings or stored items, the inspector may not be able to verify that a heat source is present in all "liveable" rooms (e.g. bedrooms, kitchens and living/dining rooms).
General heating system type: Furnaces
Last service date of primary heat source: 2015
Source for last service date of primary heat source: Label
Condition of burners: Required repair, replacement and/or evaluation (see comments below)
Condition of controls: Required repair, replacement and/or evaluation (see comments below)

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13) Oil fired furnaces, controls and much of the plumbing is at or near the end of it's useful life. Recommend evaluating furnace and heating control system and repairing or replacing as necessary. Modern equipment and controls will reduce maintenance and operating costs.

Interior, Doors and Windows

Limitations: The following items are not included in this inspection: security, intercom and sound systems; communications wiring; central vacuum systems; elevators and stair lifts; cosmetic deficiencies such as nail-pops, scuff marks, dents, dings, blemishes or issues due to normal wear and tear in wall, floor and ceiling surfaces and coverings, or in equipment; deficiencies relating to interior decorating; low voltage and gas lighting systems. Any comments made regarding these items are as a courtesy only. Note that the inspector does not evaluate any areas or items which require moving stored items, furnishings, debris, equipment, floor coverings, insulation or similar materials. The inspector does not test for asbestos, lead, radon, mold, hazardous waste, urea formaldehyde urethane, or any other toxic substance. Some items such as window, drawer, cabinet door or closet door operability are tested on a sampled basis. The client should be aware that paint may obscure wall and ceiling defects, floor coverings may obscure floor defects, and furnishings may obscure wall, floor and floor covering defects. If furnishings were present during the inspection, recommend a full evaluation of walls, floors and ceilings that were previously obscured when possible. Determining the cause and/or source of odors is not within the scope of

this inspection.
Condition of exterior entry doors: Appeared serviceable
Exterior door material: Metal, Glass panel
Condition of interior doors: Appeared serviceable
Condition of windows and skylights: Appeared serviceable
Condition of walls and ceilings: Appeared serviceable
Wall type or covering: Drywall
Ceiling type or covering: Drywall
Condition of flooring: Appeared serviceable
Condition of stairs, handrails and guardrails: Appeared serviceable

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14) One or more walls were damaged. Recommend that a qualified person repair as necessary.

Photo 14-1

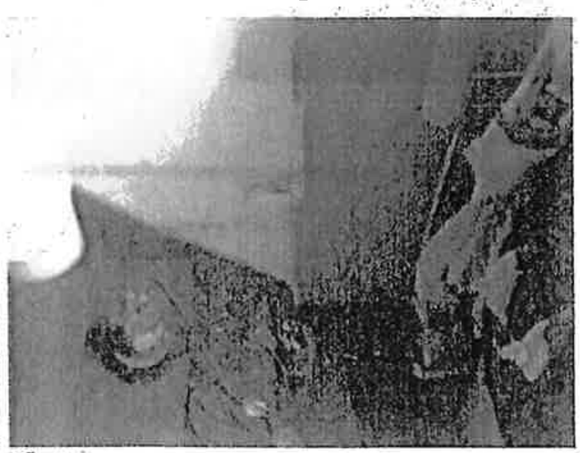

Photo 14-2

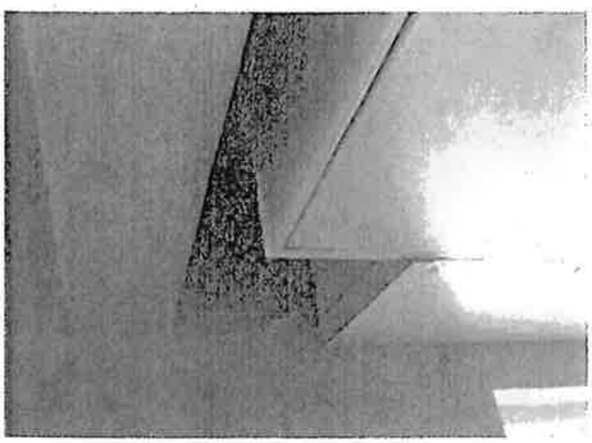

Photo 14-3

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15) Carpeting in several areas was damaged or deteriorated. Recommend that a qualified contractor replace as necessary.

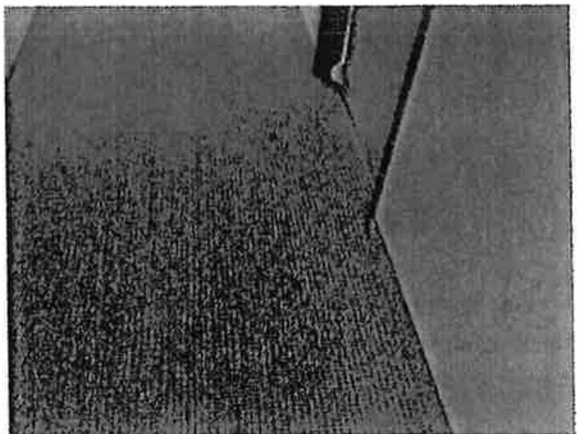

Photo 15-1

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Juneau Super 8
Pro Forma appraisal

Rental In.	From Bedrooms	Sq.Ft.	# of Units Units	Monthly Unit Rent	Gross Annual
50% MFI	Eff	425	12	$ 847.00	$ 121,968.00
50% MFI	1	723	3	$ 908.00	$ 32,688.00
ext stay	Eff	430	5	$ 3,540.00	$ 212,400.00
hotel	Eff	430	45	$ 3,240.00	$ 1,749,600.00
					$ -
Total Rental Income		30747	**65**		$ 2,116,656.00
Other Income - garages					$ -
					$ 2,116,656.00
Apartment Vacancy			5.0%		$ 7,732.80
Hotel Room Vacany			35.0%		$ 686,700.00
Gross Effective Income					$ 1,422,223.20
Total Adjusted Income					$ 1,422,223.20

EXPENSES			
Management/Admin	$173,553	12.20%	%GEI
Payroll	$340,470		
Insurance	$28,800	$443.08	per unit
Taxes	$32,500	$500.00	per unit
Utilities	$123,500	$4.02	per square foot
Land Lease	$107,963		
Franchise Fee	$156,960	8.00%	hotel revenue
Maintenance & Repairs	$42,593	2.99%	%GEI
Misc hotel expenses	$60,000	breakfast & airport shuttle	
Replacement/Reserves	$32,500	$ 500.00	per unit
Total Expenses	$1,098,839	$16,905.22	per unit
% of GEI	77.26%		
Net Operating Income	**$323,384**		
Mortgage	$217,687	$2,907,750 @ 6.375% over 30 years	
DSCR	**1.49**		
Net Cash Flow	$105,697		
Income Decrease=	7.43%		
Expense Increase=	9.62%		
Vacancy Increase=	37.80%		

ALASKA VISITOR INDUSTRY

The 2013-2014 visitor volume declined 1% from the previous study period based on the February 2015 Economic Impact of Alaska's Visitor Industry. Visitor volume for the summer and winter seasons are shown as follows: [40]

"The state is expected to host a bumper crop of tourists this year, which will lead to job growth or at least off set loss in the leisure and hospitality, retail trade, and transportation industries. Retail and leisure and hospitality racked up strong job growth in 2015, mostly through new restaurants and stores catering to locals as well as visitors....The leisure and hospitality sector, which includes eating and drinking establishments, hotels, and entertainment and recreation employers, will benefit more directly from this year's strong tourism season, especially during the summer.

Southeast tourism flourished in 2015, producing job growth for the leisure and hospitality sector. As the U.S. continues to rebound from the effects of the recession, domestic travel spending keeps increasing. An uptick in cruise traffic is predicted for Southeast in 2016. Because the vast majority of Southeast's visitors arrive by cruise ship, more visitors can be expected." [41]

JUNEAU, ALASKA

Tourism is the largest private-sector employer in Juneau. The number of non-Alaskan visitors to Juneau tops 800,000 each year, accounting for about half of the total Alaska visitor market. The majority of visitors travel between May 1 and October 1, though year-round travel is growing. During that time, the harbor is filled with cruise ships bringing tourists from the "Lower 48" and around the world.

Recent Additions to Inventory of Lodging Industry and Other Developments

As proposed, the subject is to be converted to a mixed-use, low-income apartment and hotel. It will receive extensive renovations; however, it will be reduced from an operating

[40] Alaska's Visitor Industry- February 2015
[41] Alaska Economic Trends- January 2016, Economic Forecast for 2016

75-room hotel to a 65-room mixed use facility (offering 45 standard hotel rooms, 15 low-income apartment units, and 5 extended stay rooms/units). In regards to demand, the subject will replace an existing property that is becoming dated and does not represent new supply to the market.

Two Juneau designers wanted to transform the current location of the soon-to-be-demolished Gastineau Apartment buildings into a mixed use facility that incorporates a boutique hotel, high-rise condominiums, apartment rentals, and parking. When the city is finished demolishing the shuttered apartment buildings, it will place a lien for the total cost of the demolition on the property to recover the construction cost. The designers offered the Assembly to allow them to cover the cost of the lien by offering a portion of their parking facilities to the city as public parking and also to set aside some of the housing units as affordable housing.

A Seattle Company was considering buying and restoring the condemned buildings in October 2015 but the City and Borough of Juneau Assembly declined the proposal and proceeded with the demolition of the Gastineau Apartments (which have been vacant since November 2012 due to a fire). The plan was to restore the structures to create 44 affordable housing units.

The demolition of the Gastineau Apartments is currently in the process with a completion date set for April 2016. The actual plan of the site is still unknown. Multi-family recent additions are referenced in the Market Analysis – Multi-family & LIHTC Housing.

LODGING INDUSTRY - MARKET SEGMENTATION

Lodging operations and facilities can by categorized by price and type:[42]

Segmented by Price	Segmented by Property Type
- Budget / economy	- Budget / economy
- Mid-market / mid-price	- Limited service
- Upscale	- Full service
- All suites	- Upscale / resort
	- All suites
	- Extended stay

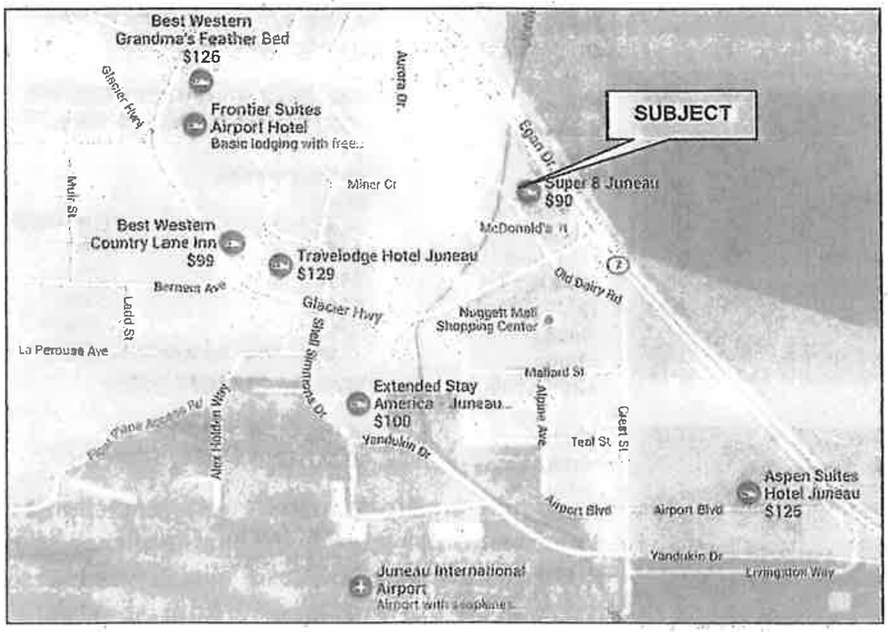
The subject is located within the airport district of Juneau. The general area represents a distinct sub-market, located situated several miles northwest of the downtown Juneau CBD. The subject is most similar to a branded (franchised and/or affiliation) *limited service hotel.*

42 Small Hotel / Motel Valuation - Limited Service Lodging, Appraisal Institute, 2003.

An inventory that includes the subject is presented on the following page. Their locations are shown on the aerial image below.

The subject's 65 rooms (as-proposed) represent 15% of this supply (65 ÷ 433 total rooms) and we are not aware of any proposed additions.

Operators often supplement peak-season daily room-sales with off-season weekly and monthly rentals. Five (including the subject) of the properties are nationally branded; industry data reported in national publications is considered relevant.



Name:	**Juneau Super 8 (SUBJECT)**	
Address:	2295 Trout Street, Juneau, AK	
# Rooms:	75	
Type:	Limited service	
Amenities:	None	
<u>Rates:</u>	Peak (+ tax)	Offseason (+ tax)
(1) Queen	$149 - $159	$80 - $90
(2) Queen	$169 - $179	$105 - $115
(2) Queen Ste.	$186	$122
(1) King Ste.	$196	$132
Other:	None	
Confirmation:	www.super8.com	

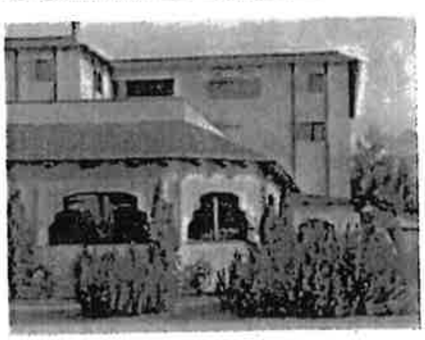
Name:	**Extended Stay America - Juneau**	
Address:	1800 Shell Simmons Dr., Juneau, AK	
# Rooms:	96	
Type:	All suites	
Amenities:	Pool, fitness room	
<u>Rates:</u>	Peak (+ tax)	Offseason (+ tax)
(1) Queen Ste.	$175	$100
(1) King Ste.	$180	$105
(2) Queen Ste.	$190	$115
Other:	All rooms have fully equipped kitchen w/utensils	
Confirmation:	www.extendedstayamerica.com; 907-790-6435	

Name:	**Frontier Suites**	
Address:	9400 Glacier Highway, Juneau, AK	
# Rooms:	104	
Type:	All suites	
Amenities:	Restaurant / lounge, fitness facility	
Rates:	Peak (+ tax)	Offseason (+ tax)
(1) Queen Ste.	$174	$129
Queen Bunk	$219	$149
(1) Queen Deluxe	$169	$129
(2) Queen Deluxe	$189	$129
King Ste.	$219	$149
King Jacuzzi Rm.	$189	$129
Other:	All rooms have full-size kitchens	
Confirmation:	www.frontiersuites.com	

Name:	**Best Western Country Lane Inn**	
Address:	9300 Glacier Highway, Juneau, AK	
# Rooms:	55	
Type:	Limited service	
Amenities:	None	
Rates:	Peak (+ tax)	Offseason (+ tax)
(1) Queen Rm.	$175	$110
(1) King Rm.	$180	$115
(2) Double Rm.	$185	$120
Suites	$195 *	$130 *
Other:	* Only suites have kitchenettes	
Confirmation:	www.countrylaneinn.com	

Name:	**Aspen Suites Hotel**	
Address:	8400 Airport Blvd., Juneau, AK	
# Rooms:	78	
Type:	All suites	
Amenities:	Fitness room	
Rates:	Peak (+ tax)	Offseason (+ tax)
(1) Queen Ste.	$175	$125
(2) Queen Ste.	$195	$145
Other:	Suites have fully equipped kitchens w/utensils	
Confirmation:	www.aspenhotelsak.com	

Name:	**Best Western Grandma's Feather Bed**	
Address:	2358 Mendenhall Loop Rd., Juneau, AK	
# Rooms:	14	
Type:	Full-service B & B	
Amenities:	Restaurant	
Rates:	Peak (+ tax)	Offseason (+ tax)
Queen Deluxe	$199	$139
Other:	Rooms have refrigerator and microwave	
Confirmation:	www.grandmasfeatherbed.com	



Name:	**Travelodge Hotel Juneau**	
Address:	9200 Glacier Highway, Juneau, AK	
# Rooms:	86	
Type:	Limited service	
Amenities:	Restaurant, pool, exercise room	
Rates:	Peak (+ tax)	Offseason (+ tax)
(1) Queen Rm.	$179	$129
(2) Queen Rm.	$179	$129
(2) Double Rm.	$179	$129
(1) King Rm.	$199	$149
Other:	Rooms have refrigerator and microwave	
Confirmation:	www.travellodge.com; 907-789-9700	

Inferred Supply / Demand Analysis

In the following market overview, supply and demand characteristics are inferred from the available data.

Market Exposure Time may be defined as "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market." [43]

The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Marketing time is also a function of the amount and quality of the available inventory, asking prices and investor requirements.

MULTI-FAMILY RESIDENTIAL

Apartment Sales / Listings in the Market Area

The Juneau market is relatively small and there are very few multi-family dwellings that sell in any one year.

Statistics obtained from the Alaska Multiple Listing Service [MLS] generally provide a reliable gauge of reasonable market time parameters. MLS data is limited, there has been several smaller, multi-family properties sold since 2002+; all of which consisted of 2 to 4 units. Sales activity is minimal. There are no active listings of large (10 unit +) multi-family properties available on Statewide MLS within the Southeast Alaska Region.

The Korpacz 4th Quarter 2015 study indicates a national market period of 3.8 months for apartment properties, down ±7.9% from one year ago. The reported Korpacz Marketing period is a good barometer for the lower 48 states. Sales in other areas of Alaska suggest a marketing period of about 1 year, which is considered reasonable for the subject.

Recent Additions to Inventory of Multi-family Housing and Other Developments

Island Hills

The Island Hills Apartments, located on Cordova Street in Douglas, will be comprised of a total of 60 units anticipated to be completed by Spring 2016. 48 units have been completed; 24 of which just opened as of summer 2015.

The apartments are all two bedroom, 1.5 bath, 1,000 SF units with large windows having views of the channel and the City of Juneau. This is a market rate project built without tax credits or RD515 subsidy. However, the CBJ is subsidizing some unit rents in

43 Source: Appraisal Standards Board Statement 6 and Advisory Opinion G-7.

exchange for the developer buying gravel from the city for the project. For every 35 tons of material they bought, they would give a rental unit per month for $1,200. (Normal rents were originally projected to be up to $1,600 for the finished units, depending upon floor level. Actual rents achieved, according to the developer are $1,400 on the upper floors and $1,300 on the lower levels).

Advertised rents per the website range from $1,300 to $1,480/unit. [44]

Affordable rents of $1,200 are subsidized by the city on the lowest level of this project.[45]

The owner is a contractor and has owned the land for 30 + years which helped to keep the costs lower for this project at a total of $7 million upon completion. The developer reported that they intend to apply for a permit to allow up to 12 more units on the site.

River Park

The River Park Apartments is a newly constructed 23 unit apartment complex in the Lemon Creek area, which reportedly went from concept to occupancy in a seven month period.[46] All units are one bedroom, one bath units, renting for $1,100 per month plus electric (lights, appliances, hot water and heat).

These projects contain units which have been recently completed and absorbed by the market quickly. River Park was not mentioned in the Novagradac report for the subject.[47] The influx of these units has had little to no impact on the demand for units at Wright Services, Inc., (a large multi-family property owner in the area) according to Theresa in that office. This is in addition to any influx of refurbished affordable units. These are the only recent 'market' additions of larger multi-family housing projects in the last several years other than the construction of smaller duplex style properties. [48] The most recent developments include the 2008 development of a mobile home park. [49]

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44 Islandhillsapartments.com – Buildings D – G: advertised for $1,200 to $1,300 for first floor units, $1,340 to $1,390 for 2nd floor units, and $2,410 to $1,480 for 3rd floor units.

45 JuneauEmpire.com, January 28, 2014 "About 50 New Units hit Juneau Market, More units to come in 2014"

46 "Juneau's housing market sees influx of rentals", posted on www.KTOO.org, by Lisa Phu, posted 1/20,2014 per KTOO report on topic, per project developer Bill Heumann, according to the report.

47 Market Feasibility Study for Juneau VOA Housing II, by Novogradac & Company LLP dated August 21, 2014. Absorption rate for Island Hills was estimated at 8 units per month – the building owner could not reveal specific absorption information.

48 Greg Chaney, Planning Manager for the Juneau Planning Department ... cited no recent completed multifamily developments of significant size, but discussed at length the rising development of accessory apartments in the Juneau rental housing market. Mr. Chaney stated these are primarily single unit developments which are constructed either in initial construction of a single family home or as a variance onto one at a later time. Mr. Chaney stated the growth of these small developments has played a significant role in absorbing some of the market rate renters within the Juneau market, as approximately 20 to 30 of these units were constructed in each of the past two years. – Novogradac & Company, Aug. 2011.

49 Was the first such mobile home development in Juneau in decades. This development has added several more units, and has planned the addition of three additional units to be constructed in the coming years - Novogradac & Company, Aug. 2011.

A 48-unit multi-family property located on Sunset Drive, outside of the downtown Juneau sub-market (consisting of 2-bedroom units) was planned for construction in 2012 but was on placed on hold and has not 'broken ground.' [50]

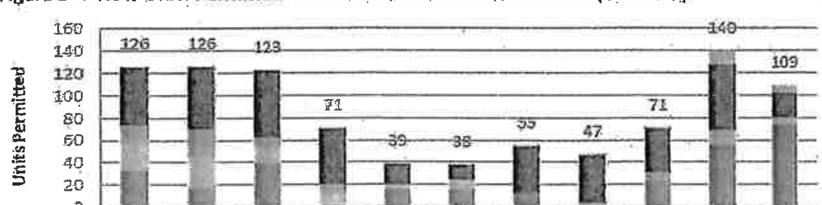
Terraces at Lawson Creek Phase I
Phase I of Juneau VOA Housing was completed in August 2015 and is Phase I of the subject project. It consists of mixed income residents (30%, 50% AMI) with 24 rent restricted units and 14 market rate units.[51]

Terraces at Lawson Creek Phase II
Phase II of Juneau VOA Housing is scheduled to start construction in March 2016 with an estimated date of completion by July 2017. The project will have 35 units (all rent restricted at 30%, 50%, and 60% AMI). [52]

"Juneau's housing supply does not meet demand in terms of housing type, size, price, or location. In particular, there is a shortage of affordable housing in Juneau....A commonly accepted definition of affordability is for a household to spend no more than 30% of total household income on housing costs. Families who pay more than 30% of their income for housing are considered cost-burdened and may have difficulty affording necessities such as food, clothing, transportation, and medical care." [53]

The Juneau Economic Development Council's 2014 Economic Indicators report summarized a breakdown of housing permits for the area over the past 10 years, which shows a significant increase in multi-plex units permitted both in 2013 and 2014 through June.

Figure 30: New Units Permitted[a] to be Built in Juneau 2004 to 2014 (YTD June)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 YTD
Non-Resident Commercial										12	6
Single Family Detached	52	56	60	51	19	13	42	44	40	59	23
Single Family Attached	12	24	9	8	0	1	0	1	5	3	0
Duplex Units	28	28	14	12	4	8	0	2	2	10	6
Multi Plex Units	34	18	40	0	16	16	13	0	24	56	74
Total	126	126	123	71	39	38	55	47	71	140	109

Source: Alaska Housing Finance Corporation, Alaska Housing Market Indicators, "Quarterly Survey of Lenders" Datasets; City & Borough of Juneau Permit Center reports.

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[50] Mr. Eddie Quinto, Permit Specialist CBJ (907-586-0928).

[51] Market rate units rent for $1,209/mo. (2BR) and $1,588/mo. (3BR) based on HUD Maximum Fair Market Rent. The rents appear to be below market based on rental comparables and are excluded from the market rent analysis.

[52] B-SBC File No. 15-112

[53] Juneau Economic Development Plan - Final Plan, February 23, 2015.

Juneau continues to maintain a very low vacancy rate due to its limited supply of housing units.

"Rental vacancy rates in Juneau for all size apartments are persistently below 5% (a rate considered "healthy"). For rental houses, vacancy rates have generally been falling, indicating a tightening availability."[54]

Juneau landlords reported a 3.4 percent vacancy rate in 2014, the second lowest vacancy rate in the state. Juneau's rate dropped since 2013, from 3.5 percent, indicating a slight increase in tension for the already tight rental market." [55]

"Part of the difficulty is that there are very few buildable land parcels in the city and borough that are readily suitable for development. Most undeveloped land in the CBJ is dominated by wetlands, forests, steep slopes and variable terrain, and/or is inaccessible by road. Even if such terrain were developable, the costs to engineer development and mitigate environmental impacts would be prohibitive to all but the highest priced, lowest density residences."[56]

Vacancy

According to the 2015 AHFC Alaska Rental Market Survey, the overall vacancy rate for multi-family complexes in the Juneau area was 3.87%, excluding 4-bedroom units. The study included all ages, conditions and location of apartments within the borough and may not accurately represent the vacancy for specific sub-segments of the market. Results for the AHFC study are shown as follows:

AHFC Apartment Vacancy Rate – Juneau Borough					
Unit	**2015**	**2014**	**2013**	**2012**	**2011**
0-bedroom	2.7%	3.6%	0.0%	1.6%	1.6%
1-bedroom	1.8%	2.1%	1.4%	0.6%	2.5%
Average	***2.25%***	***2.85%***	***0.70%***	***1.10%***	***2.05%***

54 Juneau Economic Development Plan - Final Plan, February 23, 2015.

55 Juneau Economic Development Council – 2014 – Construction and Housing.

56 *The 2011 Juneau & Southeast Alaska Economic Indicators*, Juneau Economic Development Council, Sept. 2011.

Local historic vacancy rates are as follows:

MARKET VACANCY				
Property	Rent Structure	Total Units	Vacant Units	Vacancy Rate
Island Hills	Market	48	0 **	0.0%
River Park Apts	Market (NEW)	24	0 **	0.0%
Marine View Apts.	Market	66	0 *	0.0%
Mendenhall Apts.	Market	127	5 **	3.9%
Northwood Apts.	Market	20	0 **	0.0%
Alderwood Apts.	Market	30	1 **	3.3%
Auke Bay Post Office	Market	12	1 **	8.3%
Hillcrest Apts.	Market	22	2 **	9.1%
David Street Apts.	Market	12	0 **	0.0%
Lawson Creek Ph. I	Market	16▲	0 **	0.0%
TOTAL		**377**	**9**	**2.4%**

* Messages were left but unreturned during appraiser's survey in March 2015, July 2015, and December 21, 2015. We relied on data in our files including prior surveys as well as the Novagradac market study report (having effective rent date of August 21, 2014). The survey reflected a slight increase in rents for each unit type.

** Based on December 2015 / January 2016 survey.

▲ Lawson Creek Ph. I has a total of 40 units; 24 are restricted and 16 are market.

Section 8 and LIHTC VACANCY				
Property	Rent Structure	Total Units	Vacant Units	Vacancy Rate
Glacier Village	LIHTC, Mkt.	66	1 ****	1.5%
Si'tuwan	HOME	20	1 ****	5.0%
Orca Point	LIHTC, Mkt.	47	3 ****	6.4%
Eaglewood	LIHTC / Sec. 8 / HOME	24	0 *	0.0%
Ravenwood	Sec. 8 / HOME	16	0 *	0.0%
Gruening Park	Sec. 8 / HOME	96	0 **	0.0%
Mackinnon Apts.	LIHTC	23	0 ***	0.0%
Hillview Apts.	LIHTC	15	0 ***	0.0%
Strasbaugh Place	LIHTC	7	0 ***	0.0%
Lawson Creek Ph. I	LIHTC	24 ▲	0 ****	0.0%
TOTAL		**338**	**5**	**1.5%**

* A phone message was left with property management (907-780-6666, January 19, 2016); a phone call was not returned. Vacancy rate is based on a January 2015 survey completed by B-SBC (File No. 14-111).

** A phone message was left with property management (907-780-6706, January 19, 2016); a phone call was not returned. Vacancy rate is based on a January 2015 survey completed by B-SBC (File No. 14-111).

*** A phone message was left with property management (907-789-3888, January 19, 2016); a phone call was not returned. Vacancy rate is based on a January 2015 survey completed by B-SBC (File No. 14-111).

**** Based on December 2015 / January 2016 survey

▲ Lawson Creek Ph. I has a total of 40 units; 24 are restricted and 16 are market.

The comparable market properties indicate an overall average vacancy rate of 2.4%, slightly more than AHFC vacancy rates. The overall weighted vacancy rate amongst the properties surveyed is nominal. Units are pre-leased prior to tenant turnover dates per our survey. Generally, areas with higher rental costs are characterized by lower vacancy rates. Greater numbers of tenants competing for limited available units may drive up costs due to increased demand. Conversely, areas with lower rental costs tend to have higher vacancy rates as landlords attempt to maintain competitive prices to attract a limited number of available tenants. Vacancy rates fluctuate from year to year, not only for these reasons, but also from changes in housing stock inventory, seasonal factors and other local economic factors.

The overall vacancy rate for the LIHTC properties is 1.5%. Most of the properties have waiting lists. As indicated from the Juneau Economic Development Council and both property managers and owners, there is demand in the market for additional LIHTC units.

As a good-quality housing project, the subject's income restricted units are expected to have low vacancy.

Overall, we believe that the subject will be able to stabilize at a vacancy rate of 3% or less as a LIHTC development which is considered conservative given the overall LIHTC vacancy rate of 1.5%.

Market Rents

Results for the last three years AHFC Alaska Rental Market Survey for are shown on the following charts.

		Average Rent ($)		Median Rent ($)	
	Survey Area	Contract	Adjusted	Contract	Adjusted
2015	0 Bedroom	$833	$892	$902	$936
	1 Bedroom	$979	$1,072	$950	$1,100
	2 Bedroom	$1,178	$1,330	$1,160	$1,316
	3 Bedroom	$1,604	$1,836	$1,600	$1,818
	Survey Area	Contract	Adjusted	Contract	Adjusted
2014	0 Bedroom	$841	$901	$892	$926
	1 Bedroom	$940	$1,023	$950	$1,047
	2 Bedroom	$1,154	$1,306	$1,150	$1,287
	3 Bedroom	$1,559	$1,755	$1,600	$1,770
	Survey Area	Contract	Adjusted	Contract	Adjusted
2013	Juneau Borough				
	0 Bedroom	824	875	865	898
	1 Bedroom	919	994	950	1,006
	2 Bedroom	1,100	1,249	1,100	1,250
	3 Bedroom	1,471	1,671	1,500	1,707

The AHFC study indicates that contract rents have continued to increase over the past few years (±1% to 8% since 2013). This historic trend is anticipated to continue for the near term. The outlook is for slightly increasing rental rates and stabile occupancies.

Landlords typically cover the cost of water, garbage, sewer and snow removal. Building owners and managers report operating expenses have remained relatively stable. Tenants typically pay for telephone, cable, and, in most cases also electricity.

LOW INCOME HOUSING MARKET
LIHTC Supply

Subsidized/restricted units in the CBJ market are summarized in the following table. Those surveyed (see following page) supported full occupancy status typically with waitlists.

Property	Type	
Glacier Village	LIHTC/Tlingit-Haida Regional HA - Family	LIHTC restricted
Hillview Apts	LIHTC/HOME - Family	LIHTC restricted
Strasbaugh Place	LIHTC/HOME - Family	LIHTC restricted
Eaglewood Apts	LIHTC/HOME - Family	LIHTC restricted
Mackinnon Apts	LIHTC - Family	LIHTC restricted
Orca Point Apts	LIHTC - Family	LIHTC restricted
Chinook Apts	Section 8 - Family	Subsidized
Coho Park	Section 8 - Family	Subsidized
Mendenhall Woods	Section 8 - Family	Subsidized
Douglas Terrace Apts	Section 8 - Disabled	Subsidized
Salmon Creek Housing	Section 8 - Disabled	Subsidized
Channel View	Section 8/LIHTC - Family	Subsidized
Gruening Park	Section 8/HOME - Family	Subsidized
Sleepy Spruce Apts	RD - Family	Subsidized
Channel Terrace Apts	RD - Family	Subsidized
Timber Manor	Tlingit-Haida Regional HA - Family	Subsidized
Cedar Park	Public Housing - Family	Subsidized
Geneva Woods	Public Housing - Family	Subsidized
Riverbend	Public Housing - Family	Subsidized
St. Vincent DePaul	HOME/Transitional	Special needs tenancy

Management for the LIHTC properties stated that there is no need for waiting lists as turnover is very low and when units become available, there are applicants readily available based on word-of-mouth without formal advertising. An overall shortage of supply for income restricted units was reported.

The following table depicts recent LIHTC allocations for the area.

Year Allocated	Name	Address	City	Zip	Units
2015	Home Run	SWC Teal / Alpine	Juneau	99824	41
2015	Sleepy Spruce	1050 Salmon Creek	Juneau	99824	24
2016	Juneau VOA Housing Ph. II	Vista Dr.	Juneau	99824	35
Total					**100**

Sleepy Spruce is an existing Rural Development property that will undergo renovations. Home Run is a proposed 41-unit project consisting of mixed income and age-restricted residents (50% and 60% AMI; 55 + in age). Phase II of Juneau VOA Housing is estimated to be completed in 2017 which will consist of mixed income residents (30%, 50%, and 60% AMI).

Subsidized apartment projects located within the Juneau area are summarized on the following table.

Comparable LIHTC Projects:

Description / Location	Structure	Age	# Units	Asking Rent Rates	Tenant Utilities **	Rent – Adjusted to reflect no tenant paid utilities
Hillview Apartments 1801 Douglas Hwy	LIHTC 50%, 60%	1996	15	Studio @ 50%: $750 1BR @ 50%: $779 2BR @ 50%: $932	*No tenant utilities* No adjustment	Studio @ 50%: $750 1BR @ 50%: $779 2BR @ 50%: $932
Strasbaugh Place 231 Gastineau Blvd.	LIHTC 50%, 60%	1992	7	Studio @ 50%: $750 1BR @ 50%: $815 2BR @ 50%: $932	*No tenant utilities* No adjustment	Studio @ 50%: $750 1BR @ 50%: $815 2BR @ 50%: $932
MacKinnon Apts 236 3rd Street	LIHTC 50%, 60%	1938/ 2000	23	Studio @ 50%: $750 1BR @ 50%: $883	*Tenant pays C & L* Studio @ 50%: +$34 (C, L) 1BR @ 50%: +$44 (C, L)	Studio @ 50%: $784 1BR @ 50%: $927
Home Run Apts. SWC Teal St./Alpine Ave. (B-SBC #15-029)	LIHTC (Age) 50%, 60%	Proposed 2015	41	1BR @ 50%: $679 2BR @ 50%: $763	*Tenant pays He, Hwe, C, L (all electric)* 1BR: +$187 (He, Hwe, C, L) 2BR: +$238 (He, Hwe, C, L)	1BR @ 50%: $866 2BR @ 50%: $1,001
Lawson Creek Ph. I Vista Drive	LIHTC 30%, 50%	August 2015	24 *	1BR @ 50%: $864 2BR @ 50%: $1,037 3BR @ 50%:$1,194	*Tenant pays C & L* 1BR @ 50%: +$44 (C, L) 2BR@ 50%: +$53 (C, L) 3BR @ 50%: +$64 (C, L)	1BR @ 50%: $908 2BR @ 50%: $1,090 3BR @ 50%:$1,258
Lawson Creek Ph. II Vista Drive	LIHTC 30%, 50%, 60%	Proposed 2017	35	1BR @ 50%: $864 2BR @ 50%: $1,036 3BR @ 50%: $1,194	*Tenant pays C & L* 1BR @ 50%: +$44 (C, L) 2BR@ 50%: +$53 (C, L) 3BR @ 50%: +$64 (C, L)	1BR @ 50%: $908 2BR @ 50%: $1,089 3BR @ 50%: $1,258
SUBJECT **Super 8 Juneau**	LIHTC 50%	1983 / 2016	15 ***	Studio @ 50%: $1,050• 1BR @ 50%: $1,050•	*No tenant utilities*	Studio @ 50%: $1,050• 1BR @ 50%: $1,050•

* Lawson Creek Ph. I has a total of 40 units; 24 are restricted and 16 are market.
** Based on Utility Allowance HUD 52667 Form – U.S. Department of Housing and Urban Development, October 1, 2015:

JUNEAU Community Utilities	**	0 BR	1 BR	2 BR	3 BR
Heating – electric	(He)	$65	$91	$118	$144
Heating – fuel oil	(Ho)	$127	$177	$228	$279
Cooking – electric	(C)	$6	$9	$11	$14
Lights / refrig. – electric	(L)	$28	$35	$42	$50
Hot water – electric	(Hwe)	$37	$52	$67	$82
Hot water – fuel oil	(Hwo)	$52	$73	$94	$115
Trash	(T)	$29	$29	$29	$29

***The subject has as a total of 65 rooms; 15 are restricted (12-studios & 3-1BR), 5 are extended stays rooms, and the remaining 45 are standard hotel rooms
•Adjusted for furnishings (-$50).

The proposed restricted rent for the efficiency units and 1-bedroom units are at or above and are high based on comparable restricted income properties.

Current 2016 HUD Fair Market Rents and the subject's proposed restricted rents are as follows:

			2015 HUD LIHTC Rent % AMI *(2016 not yet available)*	SUBJECT – Proposed LIHTC Rent % AMI (2016)	SUBJECT – LIHTC Rent as a % of Market Rent *
Juneau Super 8	**Mo. Mkt. Rent***	**2016 HUD Fair Mkt. Rent****	**50%**	**50%**	**50%**
Studio (Max Gross Rent Limits) **	$900	$813	$847	$1,050▼	---
Studio (Utility Allowance)	*(No adj.)*	*(No adj.)*.	*(No adj.)*	*(No adj.)*	---
Studio (Max Net Rent Limits)	**$900**	**$813**	**$847**	**$1,050**	117%
1BR (Max Gross Rent Limits) **	$1,050	$981	$908	$1,050▼	---
1BR (Utility Allowance)	*(No adj.)*	*(No adj.)*	*(No adj.)*	*(No adj.)*	---
1BR (Max Net Rent Limits)	**$1,050**	$981	**$908**	**$1,050**	100%

* Based on Fair Market Rent (see Income Approach)

** Includes all utilities.

▼Subject proposed restricted rents are adjusted (-$50) for furnishings.

The subject's proposed restricted rent (adjusted for furnishings) is above the 2015 maximum restricted rents allowed by HUD and LIHTC rent comparables. 2016 LIHTC rents are not yet available. We acknowledge that the subject's rents would need to be lowered to the concluded 2015 LIHTC rents at the maximum allowable. In general, LIHTC studio units in the Juneau area are extremely limited. The subject units do not have full kitchens, only kitchenettes with a sink, refrigerator, and electric range. They are located on the top floor of an operating hotel and are considered an experiment for the Juneau market place. We do recognize that the subject will be in "like new condition".

We do acknowledge that similar type hotel/motel conversion projects within the Anchorage market have slightly higher turnover vacancy rates at ±10% (restricted) compared to market rate vacancy, at ±4%.

A summary table showing the 2015 HUD maximum restricted rent, LIHTC rent comparables (adjusted to reflect landlord paid utilities) and the subject's proposed restricted rents, are as follows:

Unit	Restrictions	Source	LIHTC net rent
Studio	Restricted at 50% AMI	**Subject's Proposed Rate**	**$1,050**
Studio	Restricted at 50% AMI	HUD Maximum Rate	$847
Studio	Restricted at 50% AMI	LIHTC Rent Comparables	$750 to $784

1BR	Restricted at 50% AMI	**Subject's Proposed Rate**	**$1,050**
1BR	Restricted at 50% AMI	HUD Maximum Rate	$908
1BR	Restricted at 50% AMI	LIHTC Rent Comparables	$779 to $927 *

* based on 2014 data.

Given the data available, we estimate the subject's studio restricted rent, near the middle of the overall range, at **$800/mo.**; and 1BR restricted rent at **$900/mo.**

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SUSAN KAER

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GENERAL HOTEL MANAGEMENT

Dynamic, innovative, results driven, business professional with demonstrated success in General Management within the hospitality industry. History of delivering effective leadership, focusing on complete organizational coordination, which maximizes efficiency to ensure superior service in a fast paced and quality focused environment. Proven track record of exceeding sales goals while controlling costs positively impacting the bottom line.

QUANTIFIABLE ATTRIBUTES

- 28 years management of food and beverage
- 17 years of strong general hotel management and operations
- Successful franchisee and investment partnerships
- Multiple hotel and restaurant launches from ground up, to remodel and new concept, to thriving business.
- Concept generation and implementation, creative, innovative ideas and themes in each venture.
- Strong networking relationships throughout the city of Anchorage and the state of Alaska participating in numerous professional organizations. (Listed below)

PROFESSIONAL EXPERIENCE

Ramada Anchorage Downtown 2003 - 2015
Owner / General Manager
Oversee all operations of the Hotel, 90 Rooms
Staff of 40+ during peak times
Marketing and Sales

Ramada Limited Anchorage 1998 - 2003
Owner / General Manager
Oversee all operations of the Hotel, 50 rooms
Staff of 20+ during peak times
Marketing and Sales

How How Chinese Restaurant 1979 - 1998
Owner / Manager / Bartender / Food Server
Oversee all operations of the Restaurant, 15+ during peak times
Ordering and inventory of food, beverage and miscellaneous supplies

EDUCATION

American Hotel & Lodging Association
Educational Institute
Las Vegas, Nevada

Certified Hotel Administrator
University of Alaska, Anchorage
2 years of Business

New School For Social Research New York, New York
Restaurant Management Program

National Taiwan Normal University Taipei, Taiwan
Mandarin Training Program

COMMITTEES

- Visit Anchorage Board
- Anchorage Chamber of Commerce
- Mayors Advisory Committee for the Homeless
- Honorary Commander to the Air Force (Elmendorf)
- PNWRMA
  (Pacific Northwest Ramada Mkt Board)
- Rotary

AWARDS AND PROFESSIONAL RECOGNITION

- Visit Anchorage Member of the Year
- Visit Anchorage Member of the Month
- Anchorage Chamber of Commerce Gold Pan recognition award as a small business member
- Assisted in recognizing the NCO and Soldier of the Quarter
- Support services welcoming the Chiefs of the USS Anchorage
- Received letters of appreciation from the AWACS team from Germany

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ALASKA HOUSING FINANCE CORPORATION
BOARD CONSIDERATION MEMORANDUM

DATE: June 29, 2016
ITEM: Multi-Family Loan Request STAFF: Melanie Smith
****

BORROWER: **Parkwood Inn Apartments LLC**
Co-Borrower(s): **Cary L. Taylor**

PURPOSE: Term loan financing for the acquisition and rehabilitation of an affordable multifamily project containing 51 units and known as "Parkwood Apartments" located at 4455 Juneau Street in Anchorage, Alaska.

PROPOSAL OVERVIEW:

Loan Amount:

First Deed of Trust: $3,194,000

Project's Market Value: $3,400,000 "Restricted Stabilized Occupancy."
$3,294,000 "less allocation to personal property (FF&E)"

Appraised by: Michael Forsland and Brian Bethard, MAI, appraisers for Black-Smith, Bethard & Carlson, LLC See Appendix I.

Loan-to-Value Ratio:

First Deed of Trust: 97% "Real estate excluding the FF&E"

Loan Terms:

First Deed of Trust: 30 years amortizing fixed monthly payments.

Interest Rate:

First Deed of Trust: 6.250%*

*Rate is determined at the time of underwriting based on what AHFC believes would be the cost of a thirty (30) year taxable bond plus administrative and anticipated servicing costs, if it sold bonds at that time.

Debt Service Coverage Ratio:

First Deed of Trust: 1.26

(A debt service coverage ratio is the net income available after paying expenses divided by the loan payment and is used as a profitability indicator for the project)

Recourse to Borrower and Co-Borrowers: **YES**

Sources and Uses of Funds:

Sources:	
AHFC's First DOT:	$ 3,194,000
Seller Paid Closing Costs:	$ 60,000
Borrower cash:	$ 158,392
Total Sources:	$ 3,412,392
Uses:	
Purchase Price:	$ 3,194,000
Rehabilitation Costs:	$ 67,089
Rent-up Reserves:	$ 50,000
Term Loan Closing Costs:	$ 101,303
Total Uses:	$ 3,412,392

BORROWER ORGANIZATION: Description & Background:

Parkwood Inn Apartments LLC: The limited liability company was created on January 13, 2016 as a sole asset entity for the project with member shares held by Cary L. Taylor.

Cary L. Taylor:
Since 2009 Mr. Taylor has been employed by NOV Tuboscope, as an Executive Account Representative. Dealing with all of the major oil and gas companies in Alaska handling their down hole drill pipe, casing and tubular inspection and repair needs. In addition, Mr. Taylor has been the Chief Executive Officer of HCMAGS, LLC since October 2010. He personally developed and patented a new Ruger 10/22 magazine. Cary oversees the production, shipping, and distribution of his product. Mr. Taylor has owned and managed three, 4-plex properties purchasing his first rental property in 2009. **See Appendix II.**

Financial Information:
Parkwood Inn Apartments LLC was recently created to hold and operate the project, which has yet to be acquired. Therefore, financial data reflects the value of the project: total assets of $3,400,000; liabilities of $3,194,000; for a net worth of $206,000. The project's annual cash flow is projected to be $62,151.

Cary L Taylor:
A multi-family loan application dated April 26, 2016 indicates: total assets of $1,071,535: liabilities of $668,957; for a net worth of $402,578.

Credit History:
A recent credit report reflects an acceptable credit history for the borrower and the co-borrower, neither of whom have any loans with AHFC.

PROJECT CHARACTERISTICS:

Location and Site Description:
The neighborhood is located approximately two and a half miles south of Anchorage's central business district. The immediate neighborhood is comprised of commercial and multifamily residential uses including office buildings, lodging and entertainment facilities, restaurants, banks, strip retail developments and big-box retailers. The subject property located at 4455 Juneau Street, in Anchorage at the southeast corner of Tudor Road and Juneau Street with good access via a network of fully improved arterials. A & C Street are the primary arterials connecting midtown to the central business district and south Anchorage. The site contains 94,196 square feet or 2.162 acres. The site is served by all available public utilities that include natural gas, water, sewer, electric and telephone. See Appendix III.

Project Overview:
Built in 1972, the subject is a wood-framed, three-story property that was originally constructed as a 51 unit apartment building. The property is currently being operated as a 50 room motel. The subject as proposed is to be converted to a mixed use apartment building containing 11 affordable housing units, 40 workforce units. The lobby will be converted back into a two-bedroom unit. The building's exterior is finished with painted T1-11 siding and has a hot mopped flat roof. The unit interiors are finished with taped and textured sheetrock with carpet and vinyl floor coverings. All of the units are furnished with fully equipped kitchens with the normal assorted appliances including a microwave. Only the two-bedroom units will have a dishwasher. The finished basement has (4) coin-operated heavy duty washers and (3) coin-operated commercial dryers. All of the bathrooms were renovated approximately four years ago with new granite countertops, and tub surrounds, toilets, and sinks. Heat is provided by a gas-fired boiler (replaced in 2015) and a 100 gallon hot water heater. Each unit has individual thermostats with electric baseboard heating. The unit mix consists of 48, studio units containing 480 square feet, renting for $800, per unit, per month; and three, two-bedroom, one bath units, containing 1,160 square feet, renting for $1,180, per unit, per month. Each unit is furnished with bed(s), table(s), a couch, chairs, dresser(s), lamps and television(s). Each unit has a private balcony/patio. The building is sprinklered and has an elevator. The site is improved with typical landscaping, paved walks, exterior stair/walkways, signage, exterior lighting, and a picnic area. The current parking spaces do not meet current zoning requirements. However, there is adequate land to re-strip the parking lot and add the additional 6 required parking spaces. A condition of the commitment will be to re-stripe the parking lot to meet current zoning requirements. The proposed use is a legal, conforming use of the site, and the appraiser estimates the remaining economic age of the improvement to be 30 years. See Appendix IV.

Note. The value associated with the furniture, fixtures, and equipment (FF&E) is not a part of this financing proposal even though these items are included in the sale contract and will be transferred to the borrower. For the affordable units, additional fees are not allowable above the maximum rents. Access to building amenities for all residents will not be restricted.

Soil Conditions:
Neither the appraiser nor the inspector noted any concerns with the property. The subject's site, as proposed and as developed, is considered adequate to support the proposed improvements.

Environmental Assessments:
The appraiser noted no environmental issues concerning the property or improvements. A Phase I Environmental Report completed by Richard Renk of FOCUS Property Consulting and Inspections on December 22, 2015 indicated the environmental risk appears to be low and that the property was free of any contaminants. An environmental assessment questionnaire completed by the owner, dated May 9, 2016 states that there are no environmental concerns with the subject property. Staff concurs that no further investigation is required.

Health and Safety Inspection Report:
A Health and Safety inspection report was completed by Richard Renk of FOCUS Property Consulting and Inspection LLC on December 22, 2015 noting several areas of concern. All of the life safety items will be completed and re-inspected prior to loan closing. An escrow will be established for the significant repair items and the lobby conversion into a two-bedroom unit at loan closing. A re-inspection of the repairs will be made a condition of this commitment. See Appendix V.

PROJECT OPERATIONS:
Pro-Forma Statement:
Staff reviewed the application and the appraisal in developing the pro-forma operating budget and believes it fairly depicts the expected performance of this mixed-use affordable housing project. The appraiser utilized an apartment vacancy percentage of 5% which is supported by comparable projects chosen by the appraiser. Based on data provided by the appraiser, borrower, and the market analysis, it is anticipated that the affordable apartments will maintain a high occupancy rate due to the high demand for affordable units in the Anchorage area. The replacement reserves as identified by the appraiser of $300, per unit, per year, is considered to be average for property of this age, type, and condition and will facilitate ongoing property improvements. See Appendix VI.

Debt Service Coverage Ratio:
The 1.26 debt service coverage ratio indicates that in addition to the 5% vacancy factor, income could fall by 13% or expenses could increase by 35% or some combination of both and there would still be sufficient funds to continue to pay the mortgage. Stated another way, the project would break-even at a 17% vacancy rate. The ratio, by industry standards, is considered to be a good ratio.

Unit Set-Asides:
Borrower has elected to set aside 11 of the 51 units for residents earning 50% of median income or less as determined by the Department of Housing and Urban Development; and 40 of the 51 will be workforce units which caps rents at fair market rents as determined by HUD. Additional fees shall not be charged if said fees increase the amount paid above the maximum rent. Access to building amenities will not be restricted. Anticipated rents are set out in the pro-forma.

Rent-Up Reserve:
Typically there is time involved for renovation, marketing and move-in requiring a rent-up reserve to be established to cover operating losses during rent-up operations. The appraiser stated absorption should be approximately 17 units per month based on data of other similar properties. A condition of this commitment will be the establishment of rent-up reserve in the amount of $50,000 funded at loan closing. Staff determined this amount is adequate for the projected three

month absorption period. Funds will be held in a bank-controlled rent-up reserve account for one years. Any remaining funds after one year will be transferred to an operating reserve account.

COMMUNITY SUPPORT:
Letters of community support were not provided.

COMMUNITY OPPOSITION:
AHFC and the borrower are not aware of any community opposition.

PROPERTY MANAGEMENT:
The property will be professionally by Lori Neally of NeighborworksAlaska. Further assurance is provided in the deed of trust which allows AHFC to replace the property manager. See Appendix VII

RECOMMENDATION:
Parkwood Inn Apartments LLC has presented the corporation with a unique opportunity to provide safe and needed affordable housing in Anchorage. The request falls within the parameters of the Multi-Family Housing Lending Program; it is reasonable to expect that the loan will be repaid; and it is considered to be an acceptable risk; therefore, staff recommends approval of the request subject to the conditions noted below.

COMMITMENT CONDITIONS:

1. Alaska Housing Finance Corporation (AHFC) to provide long term financing in an amount not to exceed $3,194,000 amortized over thirty (30) years with monthly payments. Interest to be 6.250% at AHFC's thirty 30-year taxable cost of funds including administrative and servicing costs;

2. A security position in the appropriate personal property, fixtures, furniture, and contracts, etc. will be taken;

3. Borrower: Parkwood Inn Apartments LLC.
   Co-Borrowers; Cary L. Taylor

4. Commitment to expire September 29, 2016. If necessary, an extension may be considered by staff subject to extension guideline criteria and extension fees;

4. A loan prepayment limitation will be imposed in accordance with AHFC's financing requirements;

6. Loan Agreement to include covenants which require the borrower, at a minimum, to restrict the rental of 11 of the 51 units for residents earning 50% of median income or less as determined by the Department of Housing and Urban Development; and 40 of the 51 units will have a maximum rent equal to fair market rent as determined by HUD. Additional fees shall not be charged if said fees increase the amount paid above the maximum rent. Access to building amenities for all residents will not be restricted;

7. Receipt and acceptance by AHFC of the following:

   a. ALTA title policy with applicable endorsements;

   b. An as-built survey, acceptable to the title company;

   c. evidence that all the life safety items identified in the property inspection report dated December 22, 2015 have been satisfactorily completed and a re-inspection provided prior to loan closing;

   d. An escrow in the amount of $35,189 to be established at loan closing for the completion of the signification repair items and the conversion of the lobby back into a two bedroom apartment. A re-inspection of the significant repair items and the lobby conversion to be provided at completion of the renovations;

   e. Prior to loan closing the parking lot must be re-striped reflecting adequate parking spaces to meet current zoning code requirements;

   f. all required certificates and/or binders of insurance to be no less than $3,000,000 aggregate general liability coverage with a $5,000 maximum deductible; and

   g. a letter of opinion from the borrower's legal counsel verifying such matters as their legal entity, ability to enter into closing documentation, zoning compliance, permitting and licensing requirements, etc.

~~8.~~ Monthly loan payment to include funds, as determined by AHFC, for principal and interest, and reserve for taxes, insurance, and property replacement reserves of $1,062.50 per month;

9 A rent-up reserve escrow in the amount of $50,000 to be established at loan closing. The funds will remain in the rent-up reserve account for one year. At that time any unused funds will be transferred into an operating reserve account. In order to request funds be disbursed from this account the following conditions must be met: <u>Month 1</u>: the property must demonstrate an operating loss to cover monthly operating expenses and debt service on the loan for the month and attain a level of sustained occupancy equal to at least 33%: <u>Month 2</u>: the property must demonstrate an operating loss to cover monthly operating expenses and debt service on the loan for the month and attain a level of sustained occupancy equal to at least 66%:

10. Borrower to pay appropriate cost associated with the loan, including but not limited to recording, title insurance, escrow closing fee, loan fee, and legal fee for documentation preparation and review;

11. The payment of a $26,455 loan fee;

12. A commitment fee of $13,227.50 will be required upon acceptance of the commitment with said amount being credited against the loan fee at the time of closing. Payment of the commitment fee must be made within 30 days from the date of the commitment letter; and

13. Other conditions that may arise as determined by AHFC.

Reviewed and accepted by senior staff as substantively stated in this memorandum, subject to Board Approval:

Bryan D. Butcher	Mark Romick	Mike Strand
CEO/Executive Director	Acting Deputy Executive Director	CFO/Finance Director
Date: 6-22-16	Date: 6/22/16	Date: 6/22/16

ALASKA HOUSING FINANCE CORPORATION
RESOLUTION NO. 2016-15

RESOLUTION APPROVING FUNDS FOR THE TERM FINANCING OF A MULTI-FAMILY HOUSING PROJECT FOR PARKWOOD INN APARTMENTS LLC

BE IT RESOLVED by the Board of Directors of the Alaska Housing Finance Corporation as follows:

I. <u>Findings:</u>

A. There is need to provide access to safe, quality, affordable housing;

B. Parkwood Inn Apartments LLC and Cary L. Taylor have applied to Alaska Housing Finance Corporation to receive funds under its Multi-Family Housing Loan Program for term financing of a 51 unit affordable multi-family housing project, located in Anchorage;

C. The purpose of the financing is to provide additional affordable housing opportunities for person of lower to moderate income;

D. The proposed financing falls within the established program regulations; and,

E. The proposed financing is found to be an acceptable risk to the Alaska Housing Finance Corporation.

II. <u>Conclusion:</u>

Pursuant to the foregoing findings, the Board hereby approves the request substantively as stated in the June 29, 2016 Board Consideration Memorandum prepared in support of the application.

This resolution shall take effect immediately.

DATED THIS 29th Day of June, 2016

____

Brent LeValley
Chair

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Appraisers
1199 Dimond Blvd, Suite 200
Anchorage, Alaska 99515
Phone: 907-274-4654
Fax: 907-274-0889
E-mail: bsr@ak.net

BLACK-SMITH, BETHARD & CARLSON, LLC

May 24, 2016

Client: Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504

Attn.: Attn: Mr. Eric Havelock

RE: Parkwood Apartments
Located at 4455 Juneau Street
in Anchorage, Alaska 99503

Dear Mr. Havelock:

In fulfillment of our agreement as outlined in the letter of engagement dated January 25, 2016, we submit our *appraisal report* of the estimated market value of the fee simple estate in the above referenced property. As instructed, we have appraised the property "As Complete" and "At Stabilized Occupancy". The appraisal process includes an appraisal of the property "At Stabilized Occupancy" by each relevant approach. An analysis and conclusion of value for the subject "As Complete" is included at the end of the report.

Based on an inspection of the property and the investigation and analyses undertaken, we have formed the opinion, subject to the definitions, certifications, and limiting conditions set forth in the attached report, that the property appraised has the following market values:

Prospective Market Value "At Market Rent" [1]	**Date of Value**	**Value Conclusion**
"At Stabilized Occupancy"	September 1, 2016	*** $3,500,000**
Prospective Market Value		
"At Completion"	July 1, 2016	*** $3,420,000**
Prospective Market Value "Encumbered by Rent Restrictions"		
Total Market Value "At Stabilized Occupancy"	September 1, 2016	*** $3,400,000**
Prospective Market Value "Encumbered by Rent Restrictions"		
Total Market Value "At Completion"	July 1, 2016	*** $3,322,000**

* Includes FF&E allocation at $106,000.

As discussed with the client, the subject has not been appraised in its 'as-is' condition as a motel. The appraisal focuses on the subject as converted to a mixed-income apartment project consisting of 51-units.

[1] Based on the Hypothetical Condition that the property is unencumbered and at market rent.

This report was prepared for and our professional fee was billed to Alaska Housing Finance Corporation. It is intended for use by your internal management, your auditor and appropriate regulatory authorities.

There are several extraordinary assumptions and limiting conditions that may impact the value conclusions in this appraisal. We specifically call your attention to Page 15 in this report.

The narrative appraisal report that follows sets forth the identification of the property, the assumptions and limiting conditions, pertinent facts about the area and the subject property, comparable data, the results of the investigation and analyses, and the reasoning leading to the conclusions reached. This report was prepared in accordance with the standards and regulations as set forth in USPAP AND FIRREA.

Sincerely,
BLACK-SMITH, BETHARD & CARLSON, LLC.

Brian Z. Bethard, MAI
General Real Estate Appraiser (Cert #281)

Michael A. Forsland, Appraiser

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Taylor, Cary L

taylor@hcmags.com • PO box111781 Anchorage AK 99511• 323 997 3155
[www.nov.com]

Education

UTI Phoenix

April 2000 Associates Degree

- Automotive and Diesel Technology

All aspects of bumper to bumper repair and service on automotive and diesel vehicles.
BMW, Land Rover Technician 2000 to 2005

Experience

Versatile Energy Power Systems

COO Chief Operating Officer – December 2005 to May 2012

Project management, oversee research and development grant to reduce emissions in Harbor Craft for the Port of Los Angeles.

Identify and deploy latest technological advances in emissions catalyst material to retrofit tier one marine Diesel engine exhaust systems, to make them compliant with California Air Resource Board air standards without repowering vessel.

- New Product Development
- Rapid Prototyping specialist

HCMAGS , LLC

CEO

Incorporated in Alaska since October 2010 to Present

Oversee production and shipping, dealing with stores and distributors of my product.
Personally developed and patented a new Ruger 10/22 magazine. The product has been in production since 2012 and sold in the states and internationally.

NOV Tuboscope

Executive Account Representative

October 2008 to Present

I have been with this company for seven years; I deal with all the major oil and gas companies in Alaska to handle their down hole drill pipe, casing and tubular inspection and repair needs

Taylor, Cary L

The company has been in active in Alaska since the early seventies and is a worldwide organization.
In 2009 I bought my first four-plex in 2010, my second four-plex in 2014 I bought my third four-plex.

I have successfully been maintaining and upgrading these properties and dealing tenants for more than six years now. I am a long time Alaskan since 1977.

I thank you for your time and consideration, please do not hesitate to contact me directly for any further questions.

CT

Cary Taylor
Executive Account Representative
Tuboscope | NOV
907-345-2543 Office
323-997-3155 Cell
cary.taylor@nov.com

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Anchorage, Alaska, United States

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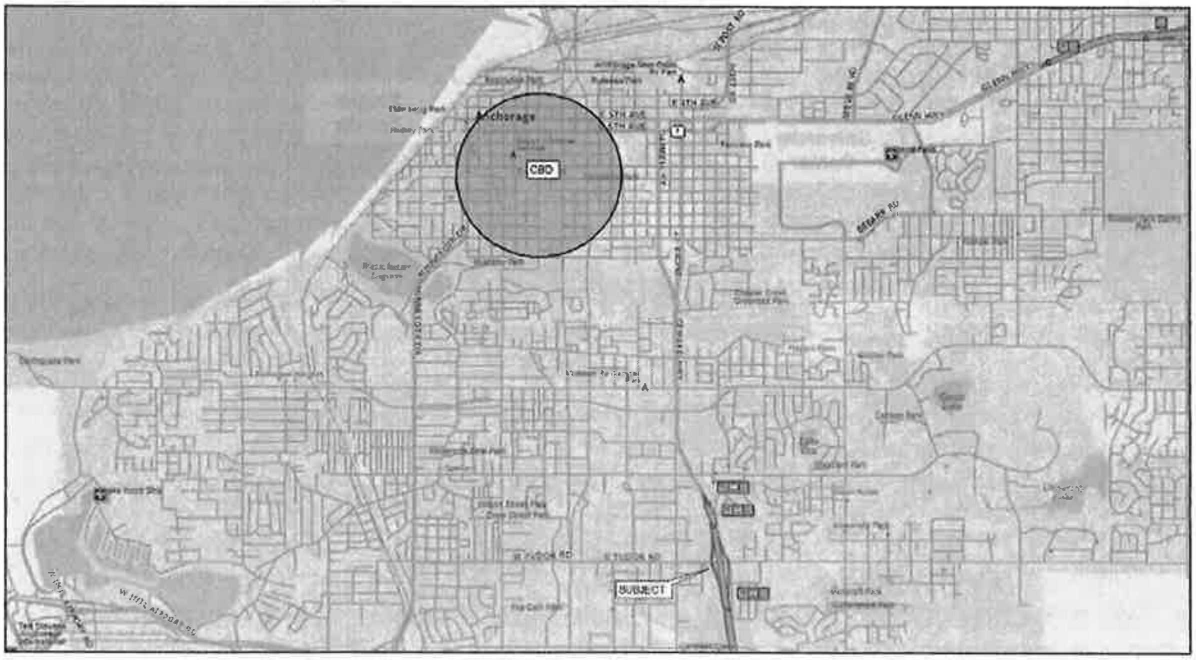
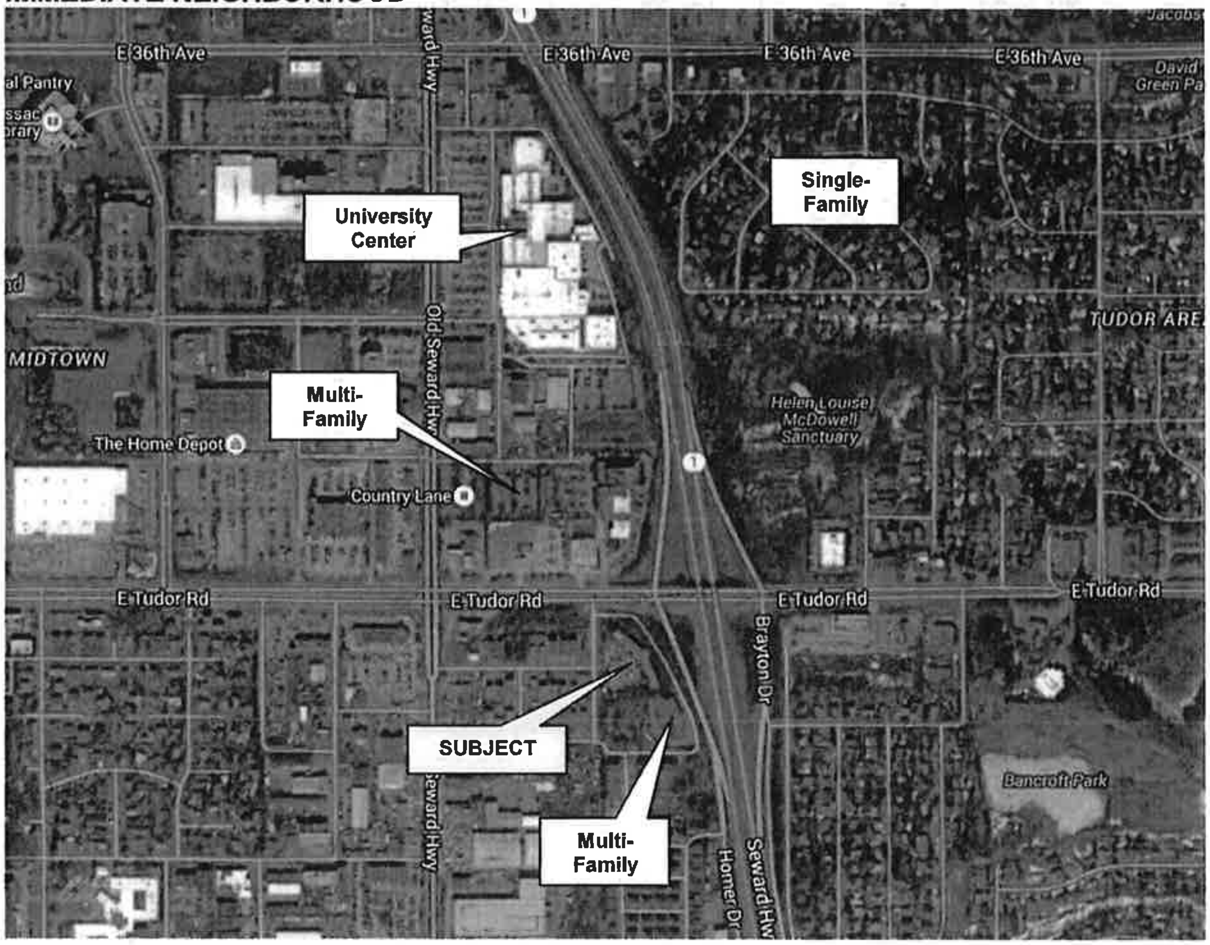
Certain mapping and direction data © 2010 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2010 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc. © 2010 by Applied Geographic Systems. All rights reserved.

GENERAL NEIGHBORHOOD



Description	Midtown Anchorage
Location	2.5 miles south of Anchorage CBD
Access	Access is good via a network of fully improved paved arterials. A and C Street are the primary arterials connecting midtown to the CBD and south Anchorage. Northern Lights (west bound), Benson Boulevard (east bound), and Tudor Road (east / west) are primary east-west arterials for the Midtown core.
Utilities	Water, Sewer, Gas, Electric & Telephone
Land Use / Development	Midtown has emerged as a modern regional hub for commercial office and retail activity. The area is roughly 90% developed with a variety of high-density residential uses and general commercial uses including office buildings, lodging and entertainment facilities, restaurants, banks, strip retail developments and big-box retailers.
Positive / Negative Externalities	Several new office, retail and hotel buildings have been constructed in Midtown over the past 10 years.
Life Cycle	Stable to Slight Growth

IMMEDIATE NEIGHBORHOOD



Description	The immediate neighborhood is referenced by the intersection(s) of Tudor Road and Old/New Seward Highways. The area is primarily developed with commercial fronting main arterials with apartment and single-family residences setback.
Boundaries	North: 36th Avenue South: International Airport Road East: Lake Otis Parkway West: C Street
Access	Access is good. Streets are fully improved, publicly maintained and in average condition.
Proximity	The area is proximate to schools, shopping and employment.
Utilities	Water, Sewer, Gas, Electric & Telephone
Services	Police, fire service and road maintenance are provided by the municipality. Public transportation and refuse service is also available.

Land Use / Development

Along Major Arterials	Commercial and retail development.
Along Interior Streets	Residential and multifamily development.
Life Cycle	Stable to slight growth
Conclusion	In summary the neighborhood has adequate access, all utilities and generally compatible land uses. It is suitable for owner users or investors.

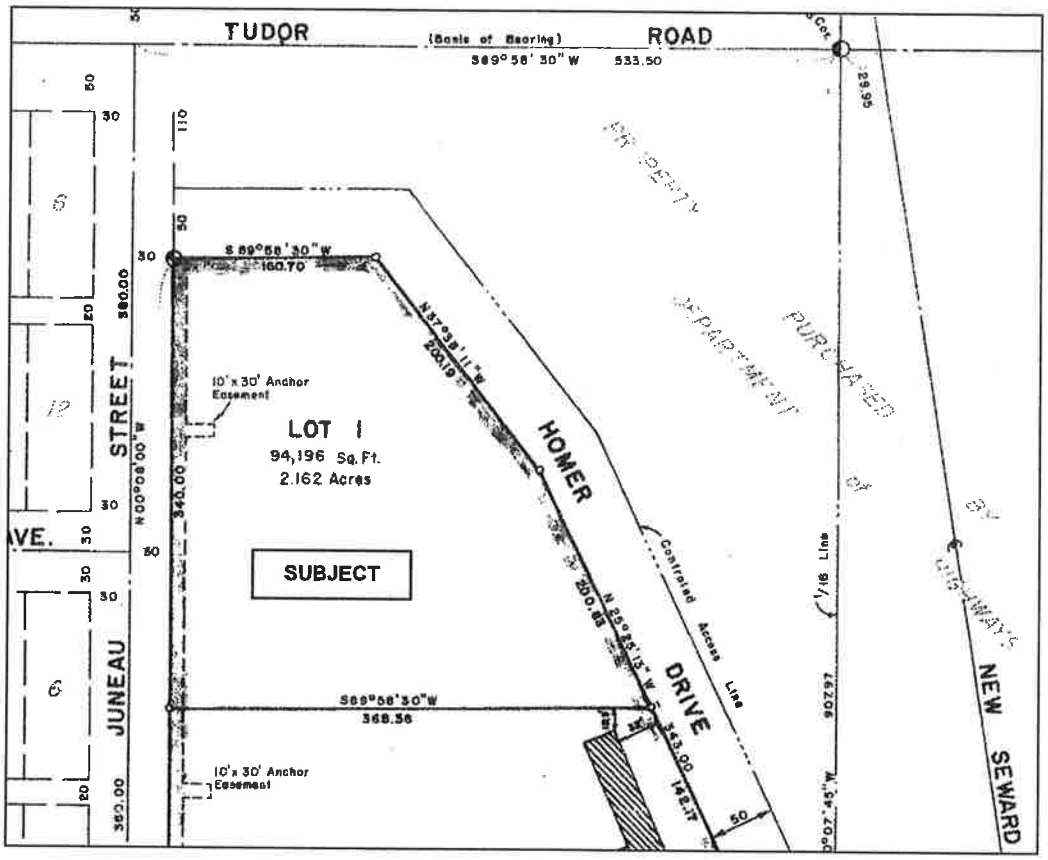
Location

The site is located on the east side of Juneau Street at the southeast corner of Tudor Road and Juneau Street, in Anchorage, Alaska. The street address is 4455 Juneau Street.

Site Area and Shape

The plat map reports the subject site at 94,196 SF, or ±2.162 acres. The site is irregular.

Plat No. 70-378



Utilities

All public utilities are available.

Topography and Soils

The site is level, cleared, and at grade of surrounding streets. The site is located within Flood Zone X – areas determined to be outside the 0.2% annual chance floodplain.[14] The site is located outside designated wetlands.[15]

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14 FEMA Flood Insurance Rate Map No. 20005-0761D, Panel 761 of 1975, revised September 25, 2009.

15 Anchorage Bowl Wetlands Map No. 44 (last updated 2/20/08).

The immediate vicinity is described as having "moderate low ground failure susceptibility".[16] The entire region is classified as a "seismic zone 4". Most permitting departments in south-central Alaska recognize this zone in applications of the Uniform Building Code. A soils report was not provided, and it is assumed that the soils are adequate to support development.

Access and Frontage

The subject has 340' of frontage along Juneau Street and 400' along the on-ramp to the New Seward Highway / Homer Drive. Access is via Juneau Street, a paved neighborhood road; overall, access is considered adequate.

Easements

A title report was not provided. According to MOA 100 Scale Maps, the subject is impacted by the following easements:

-A 10' wide utility easement runs along the western border of the site.
-A 5' telecommunications easement runs along the western border of the site.
-A 10' x 30" anchor easement is located on the western border of the site.

The existing development has incorporated the easements into the overall scope of the project and does not appear to impact development.

Environmental

We were provided with a Phase I Environmental Assessment prepared by Focus Property Consulting and Inspection LLC, completed on December 22, 2015. The assessment reported no environmental issues to the subject site.

Zoning

The subject is zoned R-4SL - (*Multiple-Family Residential District with Special Limitations*). The R-4 district is intended "This district is "intended to include urban and suburban single family, two family and multiple family residential uses with medium population densities, and uses and structures required to serve governmental, educational, religious, non-commercial recreational and other needs of such areas." Permitted uses include but are not limited to single family residences, duplexes, multi-family dwellings, hotels, motels and motor lodges, public, private, and parochial academic schools, parks, municipal buildings, family residential care, day care facilities, and houses of worship.

Special Limitations are addressed under Anchorage Ordinance 97-1, which allows for a special road variance, prohibits additional construction of rooms, and if destroyed, the buildings must be rebuilt within one year.

The subject is improved with a 50-room motel, originally constructed as an apartment complex. As proposed, the complex will be converted back into a 51-unit apartment building. Regardless, the improvements represent a legal conforming use.

---

16 Harding-Lawson Associates 1979 Geotechnical Hazard Assessment Study

Suitability of the Site

The subject is zoned for multi-family uses with all public utilities available and adequate access. The topography is level, near grade. Soils appear adequate for improved uses.

Given these characteristics, the site is well suited for conforming residential uses.

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AS-IS

The subject consists of a 3-story, wood-framed, apartment building, originally constructed in 1972 (per MOA records). The building has been operated as a 50-room motel. It has a gross building area (GBA) of 28,937 SF.[17]

The area calculations are presented as follows:

Floor	# Rooms	Room Summary	Other Rooms	GBA
Basement	0	N/A	Common laundry, mechanical room, storage	1,722 SF
Floor No. 1	16	(16) 480 SF rooms	Lobby/office, elevator, and mechanical	9,315 SF
Floor No. 2	17	(16) 480 SF rooms (1) 1,160 SF room	Elevator	8,950 SF
Floor No. 3	17	(16) 480 SF rooms (1) 1,160 SF room	Elevator	8,950 SF
TOTAL GBA	**50**			**28,937 SF**

AS-PROPOSED

As proposed, the 50-room motel will be converted to a mixed-income apartment project consisting of 51-units: (11) income-restricted efficiency units (50% AMI), and (40) workforce housing units [(37) efficiency, and (3) two-bedroom units]. The lobby/office will be converted back into a two-bedroom unit from which it was originally constructed as. The developer indicated that the estimated cost for converting the lobby space is less than $5,000.

The area calculations are presented as follows:

Floor	No. Units	Unit Summary	Other Rooms	GBA
Basement	0	N/A	Laundry, mechanical, storage	1,722 SF
Floor No. 1	17	(16) studios (1) 2BR	Elevator	9,315 SF
Floor No. 2	17	(16) studios (1) 2BR	Elevator	8,950 SF
Floor No. 3	17	(16) studios (1) 2BR	Elevator	8,950 SF
TOTAL GBA	**51**			**28,937 SF**

Unit Mix	Units	SF / Unit	NRA
Studio	48	480	23,040 SF
2BR / 1BA	3	1,160	3,480 SF
	51	—	**26,520 SF**

TOTAL Common Area	Total GBA – Total NRA	**2,417 SF**

17 Per MOA Building Sketch – see Addenda.

Construction Features

The following building description is based on observations from our on-site inspection and information provided by the owner. The building description is presented as an overview of the basic construction features.

Foundation

The foundation is concrete block.

Framing

The basic structure is a three-story, wood-framed apartment building with exterior stairwells. Exterior walls are covered with painted T-111 siding. The property owner reported that all exterior paint was done ±2 years ago. The exterior is in average + condition. The building inspection report indicated some wood rot at roof overhangs. Exterior ceiling heights are approximately 9 feet. Interior ceilings are 8 feet.

Basement

The entire building has a basement. 1,722 SF is finished with concrete floors and a ceiling height of ±8 feet. The south ½ is used for storage with tarped floors, lights, sprinklers, and an interior ceiling height of ±7 feet. It has a second exterior entrance. The north ½ is low but can still be used for storage. The building inspection report notes a sump pump. It is an extraordinary assumption that the pump is adequate to cure any drainage issues.

Floors

The sub-floors are plywood over wood joists.

Roof

The roof is flat, wood-framed, covered with a hot-mop membrane. No leaks were reported. The appraisal is developed according to the extraordinary assumption that the roof is in good, functional condition.

Interior Finish

Walls and ceilings are sheet-rocked, taped, textured, and painted. Floor covering in the units are carpet with tile in the kitchens and baths. Floor coverings are in average to average + condition. Carpet trim is painted wood; tile trim is rubber base. All kitchens have original formica countertops and wood cabinets; some wood cabinets have been replaced. All bathrooms have been renovated ±4 years ago and consist of granite counters, new tub surrounds, toilet, and sink. Overall, the units are in average condition for their age.

Insulation

All insulation is assumed to be adequate. The building inspection report noted that additional crawlspace insulation may be required.

Doors and Windows

Each unit has an exterior metal foam-filled entry door. Interior unit doors are hollow-core wood. Unit windows are glass set in vinyl frames or wood frames. Overall, the doors and windows are in average condition.

Mechanical, Plumbing, and Electrical

The building is equipped with a gas-fired boiler (replaced in 2015) and 100-gallon hot water heater. Each unit has individual thermostats with electric baseboard heat. Electrical and plumbing are assumed to be adequate and commensurate with the overall quality and condition of the project. All of the units have (1) three-fixture bathroom (sink, shower/tub and toilet). Kitchens have a double sink with garbage disposal. Each unit is equipped with battery powered smoke detectors. The building is sprinklered. The south ½ basement had sprinklers added in 2009. The building has an elevator.

Appliances

All units have a refrigerator, range/oven, and microwave. Only the two-bedroom units have dishwashers. The appliances are in overall, average condition. The finished basement has (4) coin-operated heavy-duty washers and (3) coin-operated commercial dryers.

Site Improvements

The site is improved with typical landscaping, paved walks, exterior stair/walkways, signage, exterior lighting, a picnic area, and head-bolt plug-ins.

Additional Amenities

All units have a private balcony/patio.

Parking

The Municipality of Anchorage standards are 1.25 spaces per efficiency unit, and 1.75 spaces per 2-bedroom unit (>800 SF), totaling 66 spaces (48 x 1.25 + 3 x 1.75). Based on aerial imagery, there are at least 60 painted, parking stalls. It appears that there is room for several other parking stalls given the amount of asphalt pavement on-site. Overall, parking is considered adequate.

Condition and Effective Age

The subject is in average condition for its age and appears to have been maintained over its life. The building inspection report notes several items of suggested maintenance, which is common given the age of the improvements (see Addenda). We have not made a specific deduction for deferred maintenance as they are typical expenses handled under general maintenance in the projected operating statement. The actual age is 44 years and the effective age is estimated at 30 years. Prudent management and proper maintenance of the improvements can significantly extend the life expectancy. The estimated remaining economic life is 30 years.

Furniture, Fixtures, and Equipment (FF&E)

As-is, the subject is improved with 50-rooms, an office/lobby, vending equipment and commercial washers and dryers. All of the units are furnished with fully equipped kitchens (including refrigerator, stove/oven, and microwave – the 2BR units have a dishwasher), beds, table(s), couch, chairs, dressers, lamps, and televisions. The laundry room is improved with (4) coin-operated heavy-duty washers and (3) coin-operated commercial dryers. A complete listing of FF&E was not provided. All of the FF&E is included in the sale price and an allocation is not available.

For the purpose of this analysis, we have allocated the FF&E from the total sales price based on data from the MVS Cost Manual. Total furniture cost, per room, excluding linen is estimated at $4,250/room, [18] or $212,500 ($4,250/room x 50 rooms).

The MVS Cost Manual reports typical life expectancy for hotel and motel furnishings and equipment range from 8 to 12 years. Based on our on-site inspection, the FF&E is in average condition with an effective age estimated at 7 years. Physical depreciation of the FF&E is estimated at 50%.[19] Based on the $4,250/room and 50% depreciation, the estimated depreciated value of the FF&E is $106,000 (50 rooms x $4,250/room = $212,500 x 50%, rounded).

Functional Utility

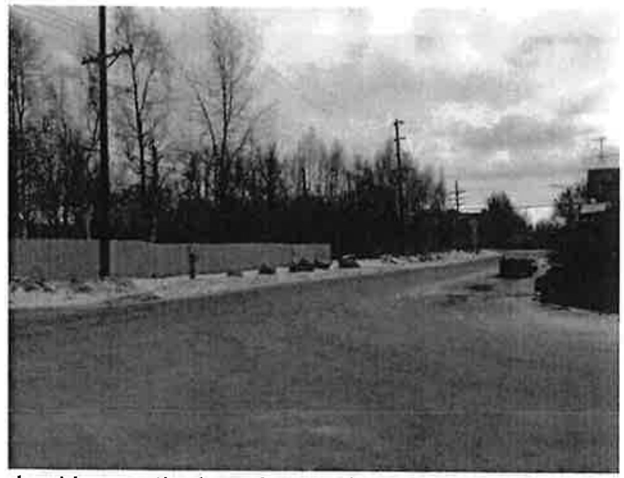
Overall, functional utility is considered adequate for the intended use. The building is well situated on the site to allow adequate ingress/egress. Room sizes and layouts are also functional. The inclusion of parking space head-bolt heaters is considered a positive amenity. The subject is in average condition and appeal. The building has electric heat which is a market detriment because it is more costly to operate. The feasibility of conversion to gas heat is unknown. Regardless, the higher operating costs are considered in the valuation. The subject represents a substantial improvement with a long-term economic life expectancy. The most probable buyer is an investor.

[18] MVS Cost Manual, Sec. 65, Page 4, March 2014.

[19] MVS Cost Manual, Sec. 97, Page 26; 12 year life and 7 year effective age for hotel/motel FF&E.

Photos taken by MAF (February 8, 2016)

Looking easterly at subject from Juneau St.



Looking south along Juneau St.; subject is on the left

.Looking north along Juneau St.; subject is on the right.

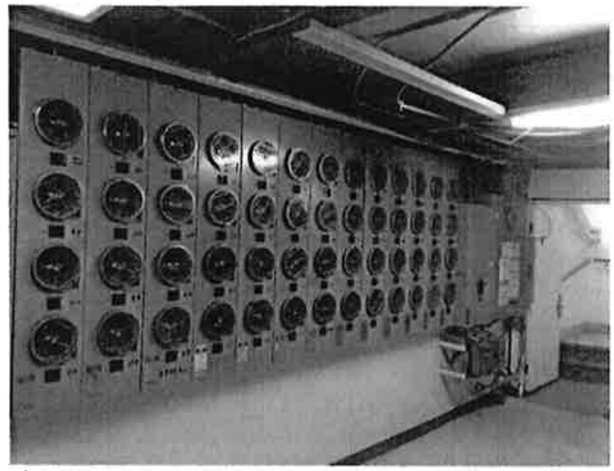
Looking SE at subject.

Rear of subject.

Looking northerly at rear of subject; New Seward Hwy. is on the right.

SUBJECT PHOTOGRAPHS CONT.
Photos taken by MAF (February 8, 2016)


Basement common laundry room.


Individual unit electric meters; located in basement.

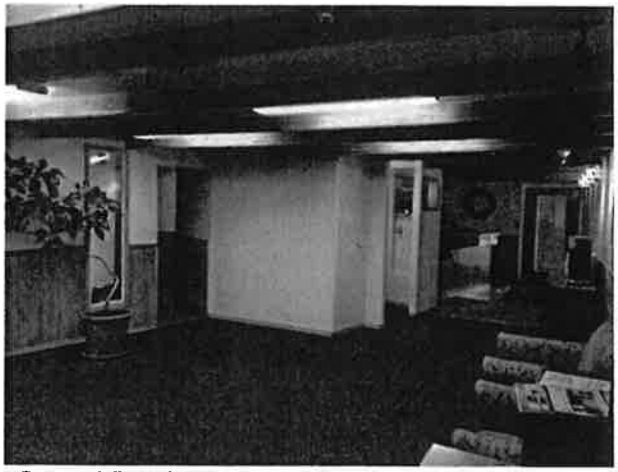

Boiler and hot water heater located in basement.


Basement storage.


Basement storage.


Ground floor lobby; to be converted into a 2-BR unit (as proposed).

SUBJECT PHOTOGRAPHS CONT.
Photos taken by MAF (February 8, 2016)


Ground floor lobby; to be converted into a 2-BR unit (as proposed).


Ground floor lobby bathroom.


Ground floor lobby spare room.

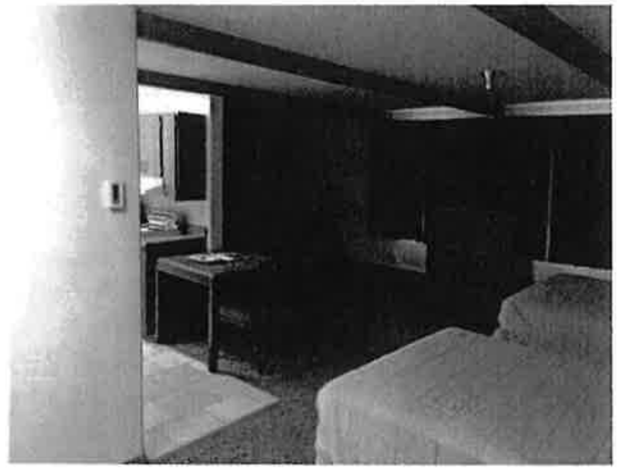

Unit 117 - Typical studio kitchen.


Unit 117 - Typical studio bathroom.


Unit 117 - Typical studio.

SUBJECT PHOTOGRAPHS CONT.
Photos taken by MAF (February 9, 2016)


Unit 217 - Typical studio.


Unit 217 - Typical studio.


Uit 217 - Typical studio bathroom.


Unit 217 - Typical studio kitchen.

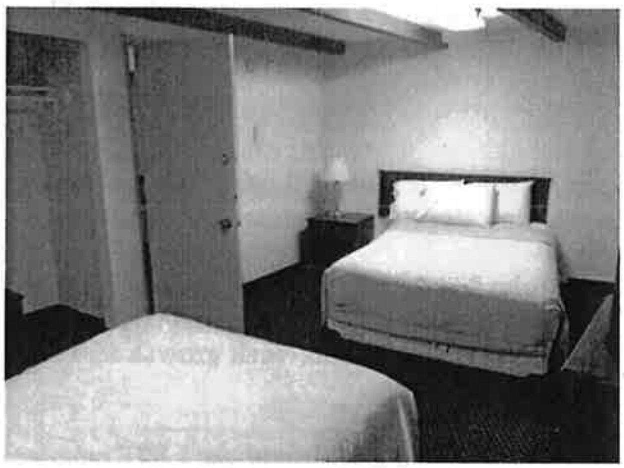

Exterior walk-ways.


Unit 209 - Typical 2-BR kitchen.

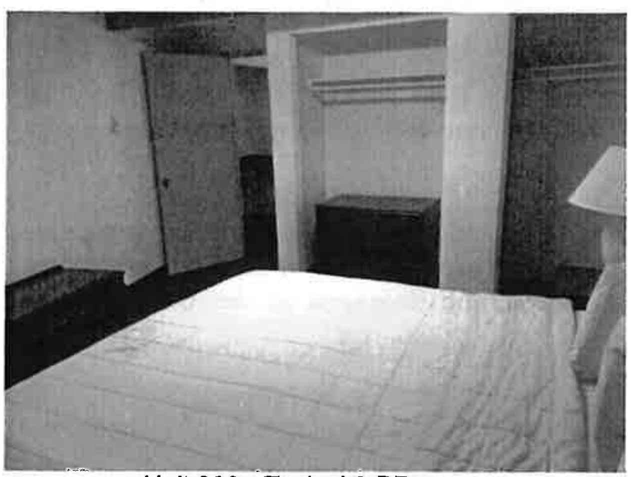
SUBJECT PHOTOGRAPHS CONT.
Photos taken by MAF (February 9, 2016)


Unit 209 - Typical 2-BR living room.


Unit 209 - Typical 2-BR patio/balcony.


Unit 209 - Typical 2-BR room.


Unit 209 - Typical 2-BR bathroom.


Unit 209 - Typical 2-BR room.


Unit 209 - Typical 2-BR living room/kitchen,.

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INSPECTION SUMMARY

LIFE SAFETY

1. Ensure each unit has a carbon monoxide detector installed in the common area living space or hallway.
2. The kitchen stoves are missing the anti-tip bracket. Install a properly configured anti-tip bracket.
3. The range hoods are too close to the cooktop surface. A minimum of 30 inches of clearance is required from the cooktop surface to the underside of a combustible wood cabinet above.
4. Not all kitchen countertop outlets have GFCI protection installed. Ensure all outlets that can serve any portion of a kitchen countertop have functioning GFCI protection.
5. The exterior guard rails are less than 42 inches above the walking surface. Repair to ensure top of handrails is no less than 42 inches tall.
6. The bedroom window in unit 209 does not meet the minimum requirements for emergency egress. Replace window.
7. Exposed wiring on the back exterior of the building in the area of unit 209. Ensure all exposed wiring on the exterior is in properly rated exterior conduit and fittings.
8. The kitchen lights in unit 309 did not operate. Unknown condition. Repair as necessary to ensure proper operation.
9. Improperly terminated electrical wiring in the south west corner of the north side crawlspace. Properly terminate wiring in covered junction boxes.
10. The sump pump in the south side crawlspace area is currently powered by an extension cord and should be plugged directly into a GFCI protected outlet with the appliance install power cord.
11. Recommend a professional servicing, inspection, and complete operational check of all/any heating, HRV, and hot water systems by a licensed mechanical contractor if not completed within the past 12 months. If completed, please forward receipt. Minimum service requirements consist of those in the manufacturers servicing manual. Manufacturers recommend annual servicing and repair to ensure proper operation of the these system. Technical inspection and exhaustive system operation check is not within the scope of this inspection. Repair as further recommended by HVAC technician.

SIGNIFICANT REPAIRS

1. The foundation was not insulated in the crawlspaces. Install a minimum R – 19 unfaced batted insulation over the foundation walls.
2. Floor joists cut in the crawlspace areas to facilitate plumbing installation should be properly headed off to adequately support the cut for joist sections.
3. A 2 inch section of plastic drain pipe is cracked/leaking in the crawlspace area under unit 102. Remove and replace cracked/leaking plastic drain pipe fittings
4. A brass check valve is leaking in the crawlspace area under unit 106. Repair leaking check valve.
5. Significant wood rot to the subfloor and floor joists in the area under unit 106. Remove and replace all rotted wood.
6. A section of 1.5 inch copper pipe is corroded through and leaking in the crawlspace area under unit 108. Remove and replace corroded pipe.
7. Copper pipe leak at a shut off valve behind the hot water maker. Repair leak.
8. Improper repairs made to plastic drainpipe in several areas of the south side crawlspace. Repairs made with aerosol rubberized sealant should have those sections of plastic drain pipe removed and replaced.
9. Leaking plastic drainpipe in the southside crawlspace area at approximately the station labeled #4 Repair leak.
10. The soil surface in the south side crawlspace area was not covered by a proper vapor barrier. Ensure a single layer of 6-mil plastic vapor barrier or covers the entire soil surface.
11. Wood rot observed in the south west corner of the roof structure overhang. Recommend repair by a qualified contractor.
12. Moisture detected under the floor coverings at the base of the toilet in units 112, 202, 208, and 315. Remove and replace wax ring seal ensuring any/all damaged flooring materials are removed and replaced.
13. The waterproof membrane at the rear exterior balcony of unit 209 is torn. Repair as necessary to ensure a watertight surface.
14. The dishwasher drain line in unit 209 and 309 is not connected to a sink mounted air gap. Install a properly configured sink mounted air gap.

15. The bathroom exhaust fans in unit 112 and 210 had no draw. Repair as necessary to ensure proper venting to the exterior the building.

16. The bathroom exhaust fan in unit 309 did not operate at the time of the inspection. Repair exhaust fan.

17. The garbage disposal housing in unit 210 was corroded through. Replace disposal.

18. The sump pump in the south side crawlspace area is not properly installed. Pump is not in a proper basin to allow the float to operate freely, is missing ground fabric around the outside of the sump, the pump is not draining through minimum sized 1.5" rigid drain pipe to the exterior of the building, and is missing a check valve directly above the pump to prevent backflow.

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AHFC #275550 Parkwood Inn Apartments LLC

Pro Forma

Rental In.	From Bedrooms	Sq.Ft.	# of Units Units	Unit Rent	Gross Annual
50% AMI	Studio	480	11	$800.00	$ 105,600.00
Work Force	Studio	480	37	$800.00	$ 355,200.00
Work Force	2	1160	3	$1,180.00	$ 42,480.00
Common Area		2417			
Total Square Footage		28937			
Total Rental Income			51		$ 503,280.00
					$ 503,280.00
Less Vacancy & Credit Loss			5.0%		$ 25,164.00
Effective Gross Income					$ 478,116.00
Total Adjusted Income					$ 478,116.00

EXPENSES			
Management	$40,008	8.37%	%EGI
Insurance	$13,576	$266	per unit
Taxes	$44,534		
Utilities	$46,155	$1.60	per square foot
Maintenance & Repairs	$20,400	4.27%	%EGI
Replacement/Reserves	$15,300	$ 300.00	per unit
Total Expenses	$179,973	$3,528.88	per unit
% of EGI	37.64%		
Net Operating Income	**$298,143**		
Mortgage	$235,992	$3,194,000 @ 6.250% 30 yrs	

DSCR	**1.26**
Net Cash Flow	$62,151
Income Decrease=	13.00%
Expense Increase=	34.53%
Vacancy Increase=	17.35%

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LORI NEALLEY

P.O. Box 240404
Anchorage, AK 99524-0404

Home: (907) 440-0458 Work: (907) 677-8411

GENERAL SUMMARY

Experience in non-profit housing, including, property management, mortgage lending, pre and post purchase education, grant writing, federal and state grant management, coordination of large community events, real estate sales, single family development.

WORK HISTORY

2014-current Compliance Manager
Anchorage Neighborhood Housing Services, Inc. d/b/a Neighborworks®Alaska
Works as part of the team to screen all applicants and ensure compliance with current LIHTC, HUD and NW Housing Policies and Procedures. Responsible for tracking and reporting on metrics for AKHMIS, NW America and AHFC. Prepares and compiles data needed for annual financial audits, file review and project inspections for 14 properties. Works with mangers to prepare budgets, annual reports and inspections for HUD 202 and 811 projects. Works on streamlining systems for screening, file compilation, quality control review and retention of records.

2008 -2014 Director, Property Management
Rural Edge, VT
Responsibilities included direct supervision of 14+ staff utilizing a team model. Developed both departmental and property level budgets, financial management and community level goal setting. Responsibility for the supervision of the team of managers who oversaw the lease up, compliance, financial performance and maintenance of a rural rental portfolio consisting of over 550 units of housing. The portfolio required compliance with a multitude of regulations, including HUD, USDA RD 515, LIHTC, Vermont Housing Finance Agency, and Vermont Housing Conservation Board.

2003 - 2008 Director of Housing Revitalization
Anchorage Neighborhood Housing Services, Inc., Anchorage, AK
Responsibilities include supervision of staff utilizing a team approach. Developing department budgets, financial management, and working with the team to develop community outcome goals. Securing and negotiating annual federal and state rehabilitation contracts, managing grant processes, ensuring program compliance, and reporting outcomes. Coordinating large NeighborWorks® Week projects; including fundraising, volunteer management, marketing and media relations.

1997 - 2003 Loan Officer/Grant Administrator
Anchorage Neighborhood Housing Services, Inc., Anchorage, AK
Operated as part of a two person team responsible for originating over 10M in second mortgages over three years. Job description included counseling, underwriting, closing, shipping, quality control, and post purchase education.

1996 - 1996 Loan File Clerk
Community Bank and Trust, Marion, NC
Responsible for quality control review of mortgage and consumer loans. Loan file preparation, maintenance, and storage.

1994 - 1996 Loan Closing Specialist
Alaska USA Federal Credit Union, Anchorage, AK
Telephone loan origination, loan document processing, Loan Officer Trainee. Completed Omega Lending Training.

1987 - 1994 Various Branch Positions
First Union National Bank of Florida, Ft. Lauderdale, FL
Loan Assistant, Teller Supervisor, Bank Teller, Customer Service Advisor, Service Representative.

CERTIFICATIONS AND TRAINING

- State of Alaska Real Estate license # 107666 (exp. 1/2018)
- Certified Occupancy Specialist (8/15)
- Non-Profit Housing Asset Management training (8/12)
- Tax Credit Certification (9/10) (current 10/16)
- Affordable Housing Development (2/06)
- Project Feasibility Analysis (2/06)
- The Cutting Edge: New & Unique Community Development (12/04)
- Getting Things Done in Neighborhoods through Strategic Collaborations (12/04)
- Principles of Community Building (2/04)
- Evaluation Strategies for Community Building (2/04)
- Fundamentals of Community Organizing (2/04)
- Monitoring HOME (8/02)
- Lead Abatement Training for Supervisors (3/01)
- Compliance with State and Federal Regulations (11/99)
- Loan Servicing and Collection (11/99)

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Date: June 29, 2016

To: AHFC Board of Directors

From: Mike Strand, CFO/Finance Director

RE: Proposed Collateralized Bonds (Veterans Mortgage Program), 2016 Series

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Staff is proposing the issuance and sale of not to exceed $55 million Collateralized Bonds (Veterans Mortgage Program), 2016 Series, to refund commercial paper that previously refunded the Collateralized Bonds (Veterans Mortgage Program), 2006 Series, and to provide additional proceeds for qualified borrowers under our veteran's loan program. The proposed transaction will be issued in one or more series as fixed rate tax-exempt bonds and be awarded using a competitive bidding system to the bank whose bid meets the bond specifications and results in the lowest true interest cost to the Corporation.

The refunding portion of the bonds will save over $6.0 million (NPV) in debt service payments at current market spreads, or 19% of refunded bonds. The new money portion of the bonds will provide financing for veteran's mortgage program loans for approximately one year.

The attached Bond Resolution approves the various financing documents and authorizes the sale of the bonds by a competitive method-of-sale as required by state law.

Also attached for review are draft copies of the Supplemental Indenture, Preliminary Official Statement, Notice of Sale and Continuing Disclosure Certificate.

Staff recommends Board approval.

ALASKA HOUSING FINANCE CORPORATION
RESOLUTION NO. 2016-16

RESOLUTION OF THE ALASKA HOUSING FINANCE CORPORATION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $55,000,000 COLLATERALIZED BONDS, (VETERANS MORTGAGE PROGRAM) OF THE CORPORATION, IN ONE OR MORE SERIES AND APPROVING THE FORM OF THE PRELIMINARY OFFICIAL STATEMENT WITH RESPECT TO THE BONDS AND AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT AND THE SALE OF THE BONDS TO THE SUCCESSFUL BIDDER; AND AUTHORIZING AND APPROVING RELATED MATTERS.

WHEREAS, the Corporation issues its Collateralized Bonds (the "Collateralized Bonds") from time to time in connection with its veterans mortgage program; and

WHEREAS, the Corporation and U.S. Bank National Association (formerly known as U.S. Bank Trust National Association), as trustee (the “Trustee”) have entered into an Indenture, dated as of October 1, 1999 (the "Indenture"), pursuant to which the Corporation may issue one or more series of Collateralized Bonds (each, a “Series”); and

WHEREAS, the Corporation has determined to issue its Collateralized Bonds (the "2016 Bonds"); and

WHEREAS, the Corporation may issue the 2016 Bonds in one or more Series with subseries designations, as appropriate; and

WHEREAS, the aggregate principal amount of the 2016 Bonds may not exceed $55,000,000 with such principal amount allocated between or among the Series in the discretion of any of the Authorized Officers as defined herein; and

WHEREAS, the 2016 Bonds will be fixed rate tax-exempt bonds; and

WHEREAS, the 2016 Bonds will be issued under and pursuant to and are to be secured by a Supplemental Indenture to be entered into by and between the Corporation and the Trustee (the "Supplemental Indenture"); and

WHEREAS, there has been presented to this meeting the form of the Supplemental Indenture; and

WHEREAS, the Supplemental Indenture shall provide for certain amendments to the Indenture; and

WHEREAS, in accordance with the Securities and Exchange Commission's Rule 15c2-12(b)(5), the Corporation proposes to enter into a Continuing Disclosure Certificate, or to execute a certificate embodying the same terms, for each Series (the "Continuing Disclosure Certificate"), a form of which has been presented at this meeting; and

WHEREAS, there has been presented at this meeting the form of a Preliminary Official Statement to be distributed in connection with the 2016 Bonds (the "Preliminary Official Statement”), the final form of which shall be substantially in the same form and content as the form of Preliminary Official Statement presented at this meeting (collectively, the Preliminary Official Statement, the Supplemental Indenture, and the Continuing Disclosure Certificate are herein referred to as the "Bond Documents"); and

WHEREAS, the 2016 Bonds are to be guaranteed as to principal and interest by the State of Alaska pursuant to Chapter 34, SLA 2002, and are to be sold by the Corporation at times and in amounts approved by the State Bond Committee; and

WHEREAS, the Corporation has previously adopted a plan for assuring that proceeds of the 2016 Bonds will be expended for qualified veterans mortgage bond purposes in compliance with the provisions of the Internal Revenue Code of 1986, as amended, and regulations thereunder; and

WHEREAS, the final form of the Bond Documents shall be substantially in the same form and content as the form of Bond Documents presented at this meeting; and

WHEREAS, the final form of the 2016 Bonds shall be substantially in the same form and content as the forms set forth in the Supplemental Indenture; and

WHEREAS, the Supplemental Indenture shall provide for certain amendments to the Indenture; and

WHEREAS, all consents, proceedings, and approvals necessary for the authorization, sale, and delivery of the 2016 Bonds have been taken or received, or will have been taken or received as of the time of the sale and delivery of the 2016 Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE CORPORATION AS FOLLOWS:

Section 1. The issuance of, and the performance by the Corporation of the obligations contained in, the 2016 Bonds are hereby authorized, approved, and confirmed, provided that the 2016 Bonds (1) are in an aggregate principal amount not exceeding $55,000,000 with such principal amount allocated among the Series as the Corporation may determine, (2) bear interest at such rate or rates as shall be agreed to by an Authorized Officer, provided that no such rate shall exceed 8% per annum, and (3) are in substantially the form and content set forth in the Supplemental Indenture, subject to appropriate insertions and revisions as permitted by Section 2 hereof.

Section 2. The form and content of, and the performance by the Corporation of the obligations contained in, the Bond Documents presented at this meeting, including but not limited to the amendments to the Indenture provided for in the Supplemental Indenture, are in all respects authorized, approved, and confirmed. The Chief Executive Officer/Executive Director, the Deputy Executive Director or any Acting Deputy Executive Director, and the Chief Financial Officer/Finance Director (each, an "Authorized Officer" and, collectively, the "Authorized Officers") are severally authorized to approve, execute and deliver the final forms of the Bond Documents for and on behalf of the Corporation substantially in the form and content presented at this meeting. The Authorized Officers may each make or cause to be made any changes, modifications, additions, and deletions in the form or content of the Bond Documents as presented at this meeting as any Authorized Officer may consider necessary, desirable, or appropriate, and each such change, modification, addition, and deletion is hereby authorized, approved, and confirmed. The execution of any Bond Document by an Authorized Officer shall be conclusive evidence of approval of any and all changes, modifications, additions, or deletions to that Bond Document from the form or content that was presented at this meeting. After the execution and delivery of the Bond Documents, the Authorized Officers are each authorized, empowered, and directed to do all such acts and things and to execute all such documents, as may be necessary to carry out and comply with the provisions of the Bond Documents as executed.

Section 3. The 2016 Bonds shall be offered at public sale by the Corporation at a date and time to be determined by an Authorized Officer subject to the terms and conditions of the Official Notice of Sale thereof in substantially the form presented to this meeting.

The Authorized Officers are hereby authorized and directed to cause to be published at least once in The Bond Buyer a summary of the notice of the proposed sale which shall provide for distribution of the Official Notice of Sale upon request.

Section 4. The Authorized Officers are severally authorized, empowered and directed upon receipt of the proposals for the purchase of the 2016 Bonds at the time and place advertised for the receipt of sealed proposals in the Official Notice of Sale of the 2016 Bonds, to accept the bids for and sell the 2016 Bonds to the successful bidder or successful bidders of the 2016 Bonds on a direct sale or private placement basis on the terms and conditions set forth in said Official Notice of Sale and at a true interest cost to the Corporation not in excess of 8% per annum.

Section 5. The Authorized Officers are severally authorized, empowered, and directed to approve the final form of the Preliminary Official Statement, and the final form of the Official Statement. The final form of the Preliminary Official Statement and the final form of the Official Statement shall each be in substantially the same form as the draft Preliminary Official Statement which has been presented at and is a part of the records of this meeting; however, the final form of the Preliminary Official Statement and the final form of the Official Statement may each contain such changes as the Authorized Officers consider necessary or appropriate to fully disclose to purchasers of the 2016 Bonds all pertinent information relating to the 2016 Bonds. The distribution of the Preliminary Official Statement and the Official Statement, as completed by the Authorized Officers, to prospective purchasers and the use of the Preliminary Official Statement and the Official Statement by the purchasers in connection with the offering of the 2016 Bonds are hereby ratified, confirmed, and approved.

Section 6. The Authorized Officers are severally authorized, after execution of the 2016 Bonds, to deliver the 2016 Bonds to the Trustee for authentication under the Indenture and the Supplemental Indenture and, upon authentication and upon receipt of the balance of the purchase price of the 2016 Bonds, to deliver to the Trustee a written order in the name of the Corporation directing the Trustee to deliver the 2016 Bonds to the purchasers and to receive the proceeds of sale of the 2016 Bonds and related amounts and give a written receipt therefor on behalf of the Corporation, to apply said proceeds and related amounts in accordance with the terms of the Indenture and the Supplemental Indenture, and to do and perform or cause to be done and performed, for and on behalf of the Corporation, all acts and things (including, but not limited to, the transfer of money of the Corporation to the Trustee for deposit in, and application to the purposes of, such funds or accounts as may be required by the Indenture or the Supplemental Indenture) that constitute conditions precedent to the authentication and delivery of the 2016 Bonds or that are otherwise required or convenient to be done and performed by or on behalf of the Corporation prior to or simultaneously with the delivery of the 2016 Bonds.

Section 7. The Authorized Officers are severally authorized for and on behalf of the Corporation to do or cause to be done all acts and things and execute any and all documents and agreements as they deem appropriate and necessary including, without limitation, any investment agreements for the proceeds of the 2016 Bonds, all in the name of the Corporation as may be required or desirable to be done by the Corporation (or any Authorized Officer of the Corporation) under and pursuant to the terms of the Indenture and the Supplemental Indenture and all acts and things required or desirable to be done by the Corporation in accordance with the terms and conditions of the Bond Documents and to provide for the issuance and sale of the 2016 Bonds.

Section 8. All Authorized Officers and the Corporation's agents and counsel are severally authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Corporation, or to otherwise pay all such expenses, as in their judgment, shall be necessary or advisable in order to fully carry out the purposes of this resolution.

Section 9. All actions previously taken or that will be taken by any Authorized Officer in connection with or related to the matters set forth in or reasonably contemplated by this resolution are, and each of them hereby is, adopted, ratified, confirmed and approved in all respects as the acts and deeds of the Corporation.

Section 10. This Resolution shall take effect immediately.

Dated this 29th day of June 2016.

____

Brent LeValley
Board Chair

ALASKA HOUSING FINANCE CORPORATION

and

U.S. BANK NATIONAL ASSOCIATION

2016 FIRST AND SECOND SERIES SUPPLEMENTAL INDENTURE

Dated as of July 1, 2016

$50,000,000
Collateralized Bonds
(Veterans Mortgage Program)
$32,150,000 First Series
$17,850,000 Second Series

Table Of Contents

SUPPLEMENTAL INDENTURE

THIS SUPPLEMENTAL INDENTURE, made and entered into as of July 1, 2016 (the “Supplemental Indenture”), by and between the ALASKA HOUSING FINANCE CORPORATION, a public corporation and government instrumentality created and existing under the laws of the State of Alaska (the “Corporation”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Corporation and the Trustee (formerly known as U.S. Bank Trust National Association) have entered into an Indenture dated as of October 1, 1999, as amended (the “Indenture”), to secure issues of the Corporation's Collateralized Bonds; and

WHEREAS, under the terms of the Indenture, the Corporation and the Trustee may enter into a supplemental indenture from time to time to authorize the issuance of one or more Series of the Corporation's Collateralized Bonds; and

WHEREAS, it is the purpose of this Supplemental Indenture to authorize the issuance of the Corporation's Collateralized Bonds, 2016 First Series (Veterans Mortgage Program), Subseries A-1 (Non-AMT), in the aggregate principal amount of $860,000 (the “2016 Subseries A-1 Bonds”), and the Corporation’s Collateralized Bonds, 2016 First Series (Veterans Mortgage Program), Subseries A-2 (AMT), in the aggregate principal amount of $31,290,000 (the “2016 Subseries A-2 Bonds” and, together with the 2016 Subseries A-1 Bonds, the “First Series Bonds”); and

WHEREAS, it is also the purpose of this Supplemental Indenture to authorize the issuance of the Corporation's Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program) in the aggregate principal amount of $17,850,000 (the “Second Series Bonds,” and, together with the First Series Bonds, the “2016 Bonds”); and

WHEREAS, the Corporation intends to use the proceeds of the 2016 Bonds to provide funds to (i) refund certain outstanding obligations of the Corporation, and (ii) acquire qualified veterans mortgage loans; and

WHEREAS, the Corporation is authorized to issue its 2016 Bonds for such purposes; and

WHEREAS, all conditions, things, and acts required by the Constitution and statutes of the State of Alaska to exist, happen, and be performed precedent to and in connection with the issuance of the 2016 Bonds exist, have happened, and have been performed in due time, form, and manner as required by law, and the Corporation is now duly authorized and empowered, pursuant to each and every requirement of law, to issue the 2016 Bonds for the purpose, in the manner, and upon the terms herein and in the Indenture provided; and

WHEREAS, in order to provide for the authentication and delivery of the 2016 Bonds, to establish and declare the terms and conditions upon which the 2016 Bonds are to be issued and secured, and to secure the payment of the principal thereof and of the interest thereon, the Corporation has authorized the execution and delivery of this Supplemental Indenture; and

WHEREAS, the 2016 Bonds and the Trustee's certificate of authentication are to be in substantially the forms set forth in Exhibit A hereto with necessary and appropriate variations, omissions, and insertions as permitted or required by the Indenture or this Supplemental Indenture, including changes determined to be necessary in the event the 2016 Bonds are taken out of the Book-Entry System; and

WHEREAS, all acts and proceedings required by law and otherwise necessary to make the 2016 Bonds, when executed and duly issued by the Corporation and authenticated and delivered by the Trustee, the valid, binding, and legal obligations of the Corporation, and to constitute the Indenture and this Supplemental Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of the Indenture and this Supplemental Indenture have been in all respects duly authorized; and

WHEREAS, pursuant to Article IX of the Indenture, the terms and provisions of the Indenture may be modified or amended in any respect upon the consent of the holders of all the Bonds then Outstanding; and

WHEREAS, upon their delivery, the 2016 Bonds will be the only Bonds Outstanding under the Indenture; and

WHEREAS, the holders of 2016 Bonds by their purchase thereof will, simultaneous with such purchase, consent to this Supplemental Indenture and all of the terms and provisions herein; and

WHEREAS, the Corporation has determined that the Indenture shall be amended as set forth herein in connection with the issuance and delivery of the 2016 Bonds;

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH, that in order to secure the payment of the principal of, and the interest on, all the 2016 Bonds at any time issued and outstanding under this Supplemental Indenture and any other bonds issued or that may be issued under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants therein and herein set forth, and to declare the terms and conditions upon and subject to which the 2016 Bonds are to be issued and received, and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the 2016 Bonds by the holders thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Corporation covenants and agrees with the Trustee, for the benefit of the respective holders from time to time of the 2016 Bonds and any other bonds issued or that may be issued under the Indenture, as follows:

ARTICLE I
DEFINITIONS

Section 101 Definitions. In this Supplemental Indenture, unless the context clearly requires otherwise, the following words and terms shall have the meanings set forth in this Section:

“Additional Bonds" means any Series of Bonds issued following the date hereof on parity with the Bonds issued and Outstanding under the Indenture.

“Authorized Denominations” means $5,000 or integral multiples thereof.

“Business Day” means any day other than (a) a Saturday, a Sunday, or (b) a day on which banking institutions in New York, New York 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.

“Commercial Paper” means the commercial paper described in Section _____ of the Tax Certificate.

“First Series Bonds” means the Corporation’s 2016 Subseries A-1 Bonds and the Corporation's 2016 Subseries A-2 Bonds.

“Indenture” means the Indenture between the Corporation and the Trustee, dated as of October 1, 1999, and securing the Corporation's Collateralized Bonds.

“Interest Payment Date” means each June 1 and each December 1, commencing December 1, 2016.

“Record Date” means the 20th day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Second Series Bonds” means the Corporation's Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program) in the aggregate principal amount of $17,850,000.

"Series" means the First Series Bonds and the Second Series Bonds or either of them, as the context requires.

“2016 Subseries A-1 Bonds” means the Corporation's Collateralized Bonds, 2016 First Series (Veterans Mortgage Program), Subseries A-1 (Non-AMT), in the aggregate principal amount of $860,000.

“2016 Subseries A-2 Bonds” means the Corporation’s Collateralized Bonds, 2016 First Series (Veterans Mortgage Program), Subseries A-2 (AMT), in the aggregate principal amount of $31,290,000

“Tax Certificate” means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated July ___, 2016, relating to the 2016 Bonds.

“2016 Bonds” means the First Series Bonds and the Seconds Series Bonds.

Unless otherwise defined in this Supplemental Indenture, any capitalized term used in this Supplemental Indenture shall have the meaning ascribed thereto in the Indenture.

ARTICLE II
AUTHORIZATION, TERMS AND ISSUANCE

Section 201 Authorization, Principal Amount, Designation and Series, and Book-Entry. As authorized in the Indenture, the First Series Bonds consisting of two subseries and the Second Series Bonds are hereby authorized to be issued. The 2016 Subseries A-1 Bonds are hereby authorized and designated as the “Collateralized Bonds, 2016 First Series (Veterans Mortgage Program), Subseries A-1 (Non-AMT)” in the aggregate principal amount of $860,000. The 2016 Subseries A-2 (AMT) Bonds are hereby authorized and designated as the “Collateralized Bonds, 2016 First Series (Veterans Mortgage Program), Subseries A-2 (AMT)” in the aggregate principal amount of $31,290,000. The Second Series Bonds are hereby authorized and designated as the “Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program)” in the aggregate principal amount of $17,850,000. The Corporation is of the opinion and hereby determines that the issuance of the 2016 Bonds in said amount is necessary to provide sufficient funds to be used and expended for the purposes specified herein.

Section 202 Purposes. Proceeds of the 2016 Bonds will be used to provide funds to refund the Commercial Paper, to make deposits into the Bond Proceeds Account, and to provide sufficient funds for the Program. The foregoing purpose is a valid public purpose for the issuance of the 2016 Bonds. To achieve this purpose, proceeds of the 2016 Bonds shall be deposited as provided in Section 209 of this Supplemental Indenture.

Section 203 Date and Numbering of Bonds. The 2016 Bonds shall be dated as of their date of delivery and shall be lettered and numbered consecutively from V-1 upwards.

Section 204 Maturities and Interest Rates; Other Terms.

(A) The 2016 Subseries A-1 Bonds shall mature on the following dates in the following principal amounts and shall bear interest at the rate per annum set forth opposite such maturity, payable semiannually on each Interest Payment Date:

$860,000
2016 Subseries A-1 (Non-AMT) Bonds

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate

(B) The 2016 Subseries A-2 Bonds shall mature on the following dates in the following principal amounts and shall bear interest at the rate per annum set forth opposite such maturity, payable semiannually on each Interest Payment Date:

$31,290,000
2016 Subseries A-2 (AMT) Bonds

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate

(C) The Second Series Bonds shall mature on the following dates in the following principal amounts and shall bear interest at the rate per annum set forth opposite such maturity, payable semiannually on each Interest Payment Date:

$17,850,000
Second Series Bonds (Non-AMT)

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate

(D) Interest with respect to the 2016 Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The 2016 Bonds shall be issued only in Authorized Denominations.

(E) Interest on the 2016 Bonds is intended to be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code or any successor statute thereto.

(F) The principal or Redemption Price of the 2016 Bonds shall be payable in lawful money of the United States of America upon presentation and surrender of such 2016 Bonds at the corporate trust office of the Trustee or at the corporate trust office of any successor Trustee.

Interest on the 2016 Bonds shall be payable on each Interest Payment Date in lawful money of the United States of America to the person whose name appears on the Bond registration books of the Registrar as the registered owner thereof as of the close of business on the Record Date, such interest to be paid by check mailed on the date such interest is due to the registered owner at its address as it appears on such registration books or at such other address as may have been filed with the Registrar for such purpose.

Each payment of principal of or interest on 2016 Bonds, whether by check or wire transfer, shall be accompanied by information specifying, with respect to which such payment is being made, the amount and the CUSIP number (if available) of such 2016 Bonds.

Section 205 Optional Redemption at the Election of the Corporation.

(A) The 2016 Bonds maturing after June 1, 2026, are subject to redemption, on any date on or after June 1, 2026, in whole or in part, of any maturity (or any interest rate within a maturity) as directed by the Corporation, at the option of the Corporation, from any source of funds, at 100% of the principal amount thereof, plus accrued interest.

(B) If less than all of the 2016 Bonds of a particular maturity bearing the same interest rate (and otherwise of like tenor) are to be redeemed, the particular 2016 Bonds of such maturity bearing the same interest rate (and otherwise of like tenor) to be redeemed shall be selected by the Trustee by lot, using such method of selection as it deems proper in its discretion.

Section 206 Sinking Fund Redemptions.

(A) The 2016 Subseries A-2 Bonds maturing on December 1, _____, are subject to redemption and shall be redeemed on the following dates in the principal amount set forth opposite such date at a redemption price equal to 100% of the principal amount of such 2016 Subseries A-2 Bonds to be so redeemed plus accrued interest to the date of such redemption:

Redemption Date	Principal Amount
*	

*Maturity

(B) The 2016 Subseries A-2 Bonds maturing on December 1, _____, are subject to redemption and shall be redeemed on the following dates in the principal amount set forth opposite such date at a redemption price equal to 100% of the principal amount of such 2016 Subseries A-2 Bonds to be so redeemed plus accrued interest to the date of such redemption:

Redemption Date	Principal Amount
*	

*Maturity

(C) The 2016 Subseries A-2 Bonds maturing on December 1, _____, are subject to redemption and shall be redeemed on the following dates in the principal amount set forth opposite such date at a redemption price equal to 100% of the principal amount of such 2016 Subseries A-2 Bonds to be so redeemed plus accrued interest to the date of such redemption:

Redemption Date	Principal Amount
*	

*Maturity

(D) The Second Series Bonds maturing on December 1, _____, are subject to redemption and shall be redeemed on the following dates in the principal amount set forth opposite such date at a redemption price equal to 100% of the principal amount of such Second Series Bonds to be so redeemed plus accrued interest to the date of such redemption:

Redemption Date	Principal Amount
*	

*Maturity

(E) The Second Series Bonds maturing on December 1, _____, are subject to redemption and shall be redeemed on the following dates in the principal amount set forth opposite such date at a redemption price equal to 100% of the principal amount of such Second Series Bonds to be so redeemed plus accrued interest to the date of such redemption:

Redemption Date	Principal Amount
*	

*Maturity

(F) The Second Series Bonds maturing on December 1, _____, are subject to redemption and shall be redeemed on the following dates in the principal amount set forth opposite such date at a redemption price equal to 100% of the principal amount of such Second Series Bonds to be so redeemed plus accrued interest to the date of such redemption:

Redemption Date	Principal Amount
*	

*Maturity

(G) Any redemption (other than a mandatory redemption from sinking fund payments) of the 2016 Bonds of a particular maturity shall be credited against future sinking fund payments for such maturity as directed by the Corporation.

Section 207 Special Redemption.

(A) The 2016 Bonds are redeemable, at the option of the Corporation, in whole or in part on a pro rate basis among all outstanding maturities of the 2016 Bonds unless the Corporation directs the Trustee otherwise, on any date on or after June 1, 2017 (which date shall be determined by the Corporation, subject to the provisions of, and in accordance with, the Indenture and when so determined or selected shall be deemed and is hereby set forth as the redemption date), from amounts in the Program Obligation Fund which have not been expended for the purchase of Program Obligations. Any 2016 Bonds redeemed under the terms of this subsection shall be redeemed at a price equal 100% of their principal amount plus accrued interest to the redemption date.

(B) The 2016 Bonds are redeemable, at the option of the Corporation, in whole or in part on a pro rata basis among all outstanding maturities of the 2016 Bonds unless the Corporation directs the Trustee otherwise, on any date beginning December 1, 2016, from amounts available for such purpose in the Redemption Fund. Such amounts may, at the discretion of the Corporation, include excess revenues relating to Mortgage Loans financed by the Corporation with proceeds of the 2016 Bonds, any previously issued Bonds, or any Additional Bonds and amounts in the Debt Service Account in excess of 2% of the outstanding balance of Mortgage Loans (exclusive of Mortgage Loans that have been exchanged for Mortgage Certificates). Any 2016 Bonds redeemed under the terms of this subsection shall be redeemed at a price equal to 100% of their principal amount plus accrued interest to the redemption date. If the Corporation elects to redeem the 2016 Bonds other than on a pro-rata basis pursuant to this subsection, the Corporation shall file a Bond Coverage Certificate with the Trustee demonstrating Bond Coverage after giving effect to such redemptions. Notice shall be as provided in Article VI of the Indenture.

(C) The First Series Bonds are redeemable, at the option of the Corporation, in whole on any date from any source of funds if the outstanding principal balance of the First Series Bonds is less than or equal to 15% of the original aggregate principal amount thereof ($4,822,500). The First Series Bonds so redeemed shall be redeemed at a price equal to 100% of the principal amount of each First Series Bond so redeemed plus accrued interest to the redemption date. Notice shall be as provided in Article VI of the Indenture.

(D) The Second Series Bonds are redeemable, at the option of the Corporation, in whole on any date from any source of funds if the outstanding principal balance of the 2016 Bonds is less than or equal to 15% of the original aggregate principal amount thereof ($2,677,500). The Second Series Bonds so redeemed shall be redeemed at a price equal to 100% of the principal amount of each Second Series Bond so redeemed plus accrued interest to the redemption date. Notice shall be as provided in Article VI of the Indenture.

Section 208 Credit Enhancement. The 2016 Bonds will not be secured by any Credit Enhancement.

Section 209 Creation of Funds; Disposition of Proceeds and Other Amounts; Recycling.

(A) The Trustee shall create a First Series Program Obligation Fund, a First Series Revenue Fund, a First Series Redemption Fund, a First Series Rebate Fund, and a First Series OCR Fund for the First Series Bonds. Within the First Series Program Obligation Fund, the Trustee shall establish a First Series Bond Proceeds Account for the First Series Bonds.

(B) The Trustee shall create a Second Series Program Obligation Fund, a Second Series Revenue Fund, a Second Series Redemption Fund, a Second Series Rebate Fund, and a Second Series OCR Fund for the Second Series Bonds. Within the Second Series Program Obligation Fund, the Trustee shall establish a Second Series Bond Proceeds Account for the Second Series Bonds.

(C) The proceeds of sale of the First Series Bonds (being the principal amount thereof equal to $32,150,000) shall be delivered to the Trustee who shall deposit such proceeds in the First Series Bond Proceeds Account for redemption of the Commercial Paper. Simultaneously with such transfer, the Corporation shall deposit transferred proceeds of the Commercial Paper in like amount with the Trustee.

(D) The proceeds of sale of the Second Series Bonds (being the principal amount thereof equal to $17,850,000), upon delivery of the Second Series Bonds, shall be delivered to the Trustee who shall deposit such proceeds in the Second Series Bond Proceeds Account for the purchase of qualifying veterans mortgage loans.

(E) The Corporation shall also transfer to the Trustee on the date of issuance of the 2016 Bonds from its own funds: (i) $1,000,000 for deposit to the Debt Service Account of the First and Second Series Revenue Funds; and (ii) $142,000 for deposit into the Capitalized Interest Account.

(F) Upon receipt of a Bond Coverage Certificate and written direction from the Corporation, the Trustee shall transfer from the General Account of the First Series Redemption Fund to the Recycling Account of the First Series Revenue Fund the amounts set forth in such direction. The Trustee shall make such transfer only if all other conditions to such transfer set forth in Paragraph Fourth of Section 505 of the Indenture are then satisfied.

(G) On any date on or after June 1, 2017 (which date shall be determined by the Corporation), any moneys then remaining in the applicable Bond Proceeds Account, from proceeds of the First Series Bonds or Second Series Bonds, unexpended for the purchase of Program Obligations, shall be transferred pursuant to Section 503(A)(6) of the Indenture to the General Account of the Series 2016 Redemption Fund.

Section 210 Form of Bonds. The 2016 Bonds and the Trustee's certificate of authentication as to each are to be in substantially the forms thereof set out in Exhibit A attached hereto and made a part hereof with such necessary or appropriate variations, omissions, and insertions as are permitted by the Indenture. The execution of the certificate of authentication upon any 2016 Bond shall be conclusive evidence that the 2016 Bond so authenticated has been duly authenticated, executed, and delivered under the Indenture, including this Supplemental Indenture, and that the registered owner of the 2016 Bond is entitled to the benefits thereof.

Section 211 Tender Provisions. The 2016 Bonds will not include any tender or put options or the like.

Section 212 Capitalized Interest Subaccount. The 2016 Bonds will be issued with capitalized interest, and, therefore, there is hereby established a 2016 Capitalized Interest Subaccount.

Section 213 Purchase of Bonds.

(A) The Corporation may from time to time, prior to notice of redemption, purchase 2016 Bonds from moneys held for redemption at a price not in excess of the applicable Redemption Price plus accrued interest.

(B) Subject to applicable law, notwithstanding the maximum purchase price, if at any time the investment earnings on the moneys available for such purchase shall be less than the interest accruing on the 2016 Bond to be redeemed, then the Trustee may pay a purchase price for any such 2016 Bond in excess of the Redemption Price that would be payable on the next redemption date to the Owner of such 2016 Bond, if the Corporation certifies to the Trustee that the amount paid in excess of said Redemption Price is less than the interest that is to accrue on said 2016 Bond less any investment earnings on such available moneys for the period from the settlement date of the proposed purchase to the redemption date.

ARTICLE III
AMENDMENTS TO INDENTURE

Section 301 Consent to Amendments to Indenture.

By the purchase of 2016 Bonds on their delivery date, the purchasers thereof simultaneous with such purchase expressly consent to and approve the execution of this Supplemental Indenture and the amendments to the Indenture herein provided.

Section 302 Amendments to Indenture.

(A) The amendments to the Indenture contained in this section are shown in the following format: except when a provision is indicated to be deleted in its entirety and replaced with new language, (1) deleted words and phrases from the original language are crossed out; and (2) new words and phrases are in bold-face print and are underlined. The Corporation may, at any time, without the need for Bondholder or Trustee consent, prepare a conformed version of the Indenture to incorporate these amendments without showing deleted words and phrases and without bold-face print and underlining for the new words and phrases.

(B) Certain definitions contained in Section 101 of the Indenture are amended to read as follows:

"Authorized Officer" shall mean the Chairman, Vice Chairman, Chief Executive Officer/Executive Director, ~~Chief Administrative Officer,~~ Chief Financial Officer/Finance Director and the Deputy Executive Director of the Corporation and, in the case of an act to be performed or a duty to be discharged, any member, officer or employee of the Corporation then authorized to perform such act or discharge such duty.

"Code" shall mean the applicable provisions of the Internal Revenue Code of ~~1954, as amended, and the Internal Revenue Code of~~ 1986, as amended, and United States Treasury regulations promulgated thereunder or applicable thereto.

"Investment Agreement" shall mean a guaranteed investment contract which may be entered into among the Corporation or the Trustee and any corporation (including the Trustee) having (as of the date of execution of the Investment Agreement) outstanding unsecured obligations at a claims paying ability that are rated at least Aa2/P-1 by Moody's and at least AAS-1+ by Fitch and in the highest rating category by Standard & Poor's for the Debt Service Account and rated at least Aa2/P-1 by Moody's and at least AA-/A-1+ by Fitch and at least AA-/A-1+ by Standard and Poor's for the Program Obligation Fund or if it lacks such rating if its long-term debt securities are rated in the highest rating category by the Rating ~~Services~~**<u>Agencies</u>**; provided that any Investment Agreement also: (i) shall clearly state the exact entity of the obligor, the value of invested funds guaranteed, the fixed or determinable rate of guaranteed interest, and the termination date (revision in any of these terms requiring either approval by ~~Standard & Poor's, Fitch and Moody's~~**<u>the Rating Agencies</u>** or original document language setting forth minimum standards for extensions, substitutions or other terms); (ii) shall contain an unconditional, irrevocable obligation to pay by the obligor and be written in favor of the Trustee and with legal requirements and provision for collateralization at a level acceptable to ~~Moody's, Fitch and Standard & Poor's~~**<u>the Rating Agencies</u>**; (iii) shall not be cancelable for failure to cover any fees or premiums from an unrated source and its enforceability shall be warranted; (iv) shall provide that demands for funds be honored upon no more than fourteen days' notice and be credited to the Trustee in immediately available funds; (v) shall permit requests consistent with the Bond terms including all Bond payment dates and redemptions; (vi) shall clearly establish the basis for compounding or computation, and provide that all guaranteed interest accrue to the date or dates on which funds are required for the purposes of the Fund or Account to which the Investment Agreement relates; (vii) shall provide that failure to meet surety, collateral or other provisions, if any, will result in acceleration of the agreement or assumption by an entity of Rating Quality; (viii) shall provide for written reports to the Trustee on a monthly basis as to the amount held under the Investment Agreement and the interest earned thereon during the reporting period; and (ix) shall be terminable by the Trustee upon the written direction of the Corporation if necessary to preserve the tax-exempt status of the Bonds; provided, however, that in lieu of any and all of the provisions of this definition, an Investment Agreement shall be of Rating Quality. In any event, the Corporation shall promptly notify

~~Moody's, Standard & Poor's, and Fitch~~**the Rating Agencies** of any Investment Agreement entered into, identifying the parties thereto. The Trustee shall provide the party entering into an Investment Agreement with the Corporation with written notice (x) of the need to withdraw principal amounts, at least one Business Day prior to the date of withdrawal of such principal amounts, under the Investment Agreement as necessary upon the receipt of written instructions from the Corporation to preserve the exclusion of interest on the Bonds from federal income taxation, and (y) of a partial redemption of the Bonds not later than the day the Trustee is required to provide registered owners with notice in connection with such partial redemption of the Bonds. Each reference to the highest rating category by the Rating ~~Services~~**Agencies** shall mean "AAA" in the case of Standard & Poor's and Fitch and "Aaa" in the case of Moody's.

"Investment Assumptions" shall mean an annual rate of 2.5%; provided, however, that if, at the date of any Bond Coverage Certificate to be delivered, investment earnings assumptions used by ~~Standard & Poor's, Moody's and Fitch~~**the Rating Agencies** are higher than the assumed annual rate set forth in this definition (as evidenced in writing from ~~Standard & Poor's, Moody's and Fitch~~**the Rating Agencies**) or if actual investment earnings may be calculated for any period (including any period commencing in the future in the case of amounts which when received will be invested under an Investment Agreement) by reason of the existence of a rate assured by an Investment Agreement held by the Trustee and such investment earnings are at a higher rate for such period than such assumed rate, then "Investment Assumptions" shall mean the earnings at such higher rate or on such Investment Securities, as the case may be.

"Investment Securities" shall mean and include any of the following investments, if and to the extent the same are at the time legal investments by the Corporation of the funds to be invested therein: …

(7) money market funds rated AAAm or AAAm-G by Standard & Poor's and P-1 by Moody's and having comparable ratings from (or otherwise acceptable to) ~~Fitch and from~~ any other Rating Agency~~, 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~~**then rating such fund**; …"

""Mortgage Loan" shall mean an interest-bearing mortgage loan evidenced by a note, bond or other instrument which shall: …

(5) satisfy the "General Assumptions as to Mortgage Loans" contained in Exhibit ~~B~~**A** hereto."

The definition of "Rating Agencies" shall be deleted in its entirety and replaced with the following:

““Rating Agencies” shall mean 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.”

(C) In Section 102 of the Indenture, clauses (12) and (13) shall be amended as follows:

“Section 102 - Interpretation. (A) In this Indenture, unless the context otherwise requires: …

(12) At any time that the consent of the Trustee shall be required pursuant to this Indenture and a single person shall at such time be the registered holder of all the Outstanding Bonds, then such consent may be given by such person; ~~and~~

(13) All references in this Indenture to ratings of the Bonds shall be to such ratings without regard to any bond insurance or any other form of credit enhancement; and”;

~~(13)~~**(14)** This Indenture shall be governed by and construed in accordance with the applicable laws of the State.”

(D) Section 507(A) of the Indenture shall be amended as follows:

“Section 507 - Debt Service Account; OCR Fund. (A) If at noon on the third Business Day preceding any Interest Payment Date the amount on deposit, or to be deposited on such Interest Payment Date, in the Interest Account of the Revenue Fund and the Principal Account and the General Account of the Redemption Fund shall be less than the amount required to pay interest, principal or Sinking Fund Payments on the Bonds on such Interest Payment Date, any such deficiency shall be immediately satisfied with a transfer of Eligible Funds from the Debt Service Account to the Interest Account or, if insufficient, by a deposit to the Interest Account of any other funds of the Corporation available therefor, including amounts available in the OCR Fund. The Trustee shall make deposits into, and withdrawals and disbursements from the OCR Fund in accordance with Exhibit ~~B~~**A** attached hereto.”

(E) Section 605(A)(iii) of the Indenture shall be amended as follows:

“Section 605 - Notice of Redemption. (A) When the Trustee shall receive notice from the Corporation of its election or direction to redeem Bonds pursuant to Section 602, and when redemption of Bonds is required by this Indenture pursuant to Section 603, the Trustee shall give notice in the name of the Corporation of the redemption of such Bonds. The notice of redemption shall specify (i) the Bonds (including complete official name and Series designation thereof) or designated portions thereof which are to be redeemed, (ii) the date of redemption, (iii) the place or places where the redemption will be made, including the name, address and a customer service telephone number of any redemption agent, (iv) the Redemption Price, (v) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (vi) the original issue date and stated maturity date and the interest rate of each Bond to be redeemed in whole or in part, (vii) the date of mailing of the notice to Bondholders, and (viii) if less than all the Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue and be payable. The following actions shall be taken by the Trustee with respect to such redemption notice:

…

(iii) On the date on which the redemption notice is mailed to the holders pursuant to paragraph (i) above, such redemption notice shall be given by (A) registered or certified mail, postage prepaid, or (B) overnight delivery service, to one of the following services or their successors:

(1) Financial Information, Inc.'s
Financial Daily Called Bond Service
30 Montgomery Street. 10th Floor
Jersey City, New Jersey 07302
Attention: Editor

(2) Kenny Information Service's Called Bond Service
50 Bond Street. 28th Floor
New York, New York 10004

~~(3) Moody's Municipal and Government~~
~~99 Church Street, 9th Floor~~
~~New York, New York 10007~~
~~Attention: Municipal News Report~~

~~(4)~~**(3)** Standard & Poor's Called Bond Record
25 Broadway, 3rd Floor
New York, New York 10004

…"

(F) Section 707(C) in the Indenture shall be amended as follows:

"(C) The Corporation shall annually, within ~~90~~**135** days after the close of each Fiscal Year, file with the Trustee, and with such officials of the State, if any, as may be required by the Act, (1) a copy of an annual report for such Fiscal Year, setting forth its operations and accomplishments during such Fiscal Year and (2) financial statements of the Corporation for such Fiscal Year setting forth in reasonable detail: (a) a statement of revenues and expenses in accordance with the categories or classifications established by the Corporation for the Program; (b) a balance sheet for the Program showing its assets and liabilities at the end of such Fiscal Year; and (c) a statement of changes in financial position for the Program for such Fiscal Year. The financial statements for the Program may be combined with financial statements for other programs and purposes of the Corporation so long as the said financial statements for the Program are separately identified. The financial statements shall be accompanied by an Accountant's Certificate stating to the general effect that the financial statements examined present fairly the financial position of the Corporation at the end of the Fiscal Year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles. The Trustee shall have no responsibility to review any such statement submitted to it."

(G) Section 1203 of the Indenture shall be amended and re-named as follows:

"~~Section 1203 - Notices to Rating Agencies~~**Section 1204 – Notices to Rating Agencies**. The Trustee shall give prompt notice to the Rating Agencies of its resignation or removal or the appointment of any successor Trustee and of any amendment to or modification of this Indenture; provided, however, that failure to receive such notice shall not affect the validity of any of the foregoing. The Corporation shall mail or otherwise cause to be delivered to the Rating Agencies a copy of each Bond Coverage Certificate filed with the Trustee under this Indenture. ~~All notices and mailings to Moody's, under this Section 1203 or any other section hereof, shall be sent by first class mail to Moody's at 99 Church Street, New York, New York 10007, Attention: Public Finance Department Asset Backed Finance.~~ All such notices and mailings to Standard & Poor's shall be sent by first class mail to Standard & Poor's at 25 Broadway, New York, New York 10004, Attention: Tax-Exempt Housing Group. All such notices and mailing to Fitch shall be sent by first class mail to Fitch Investors Service, L.P., at One State Street Plaza, New York, New York 10004, Attention: Residential Mortgage Group."

(H) The amendments set forth in this Section 301 take effect on the first date on which no Bond that was Outstanding on the effective date of this Supplemental Indenture, not including any of the 2016 Bonds, remains Outstanding.

Section 303 Effective Date.

This Supplemental Indenture shall take effect immediately.

IN WITNESS WHEREOF, ALASKA HOUSING FINANCE CORPORATION has caused this Supplemental Indenture to be signed in its name by its Chief Executive Officer/Executive Director and U.S. Bank National Association has caused this Supplemental Indenture to be signed in its corporate name by a Responsible Officer of the Trustee all as of the day and year first above written.

ALASKA HOUSING FINANCE CORPORATION

By:______________________________________

BRYAN D. BUTCHER
Chief Executive Officer/Executive Director

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By______________________________________

TOM ZRUST
Vice President

EXHIBIT A

FORM OF BONDS

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Corporation or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

FORM OF SUBSERIES A-1 (NON-AMT) BOND

No. V-___ Principal Amount: $______________

ALASKA HOUSING FINANCE CORPORATION
COLLATERALIZED BONDS, 2016 FIRST SERIES
(VETERANS MORTGAGE PROGRAM)

Maturity Date: _______________ CUSIP: ____________

Registered Owner: Cede & Co. Interest Rate: ______

Alaska Housing Finance Corporation (the "Corporation"), a public corporation and government instrumentality of the State of Alaska (the "State") created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner set forth above or its registered assigns, the Principal Amount specified above, on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, upon presentation hereof at the corporate trust office of U.S. Bank National Association, in Seattle, Washington, as Trustee (the "Trustee"), and any successor thereto under the 2016 First and Second Series Supplemental Indenture dated as of July 1, 2016, between the Corporation and the Trustee (the "Supplemental Indenture"), or at such other location designated by the Trustee and to pay interest on said principal sum to the registered owner of this Bond from _____________, 2016, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, until the Corporation's obligation with respect to the payment of said principal sum shall be discharged, at the Interest Rate per annum specified above. Interest shall be payable beginning December 1, 2016, and thereafter on the first day of June and the first day of December of each year (each an "Interest Payment Date"); provided, however, that if any date on which interest on this Bond would otherwise be payable is not a Business Day, interest for the applicable period will be paid on the Business Day next following such date. Interest may be paid, at the option of the Corporation, by mailing a check on the Interest Payment Date for such interest payable to the person entitled thereto (such person being the registered owner of record on the Record Date, as defined herein, applicable to such Interest Payment Date) at such person's address as it appears on the bond register of the Corporation as of the Record Date, except that a registered owner of $1,000,000 or more in principal amount of Bonds shall be paid interest by wire transfer in immediately available funds to an account in the United States if such holder makes a written request to the Trustee on or prior to the Record Date specifying such account information as the Trustee may require; provided, however, that while this Bond is held in a Book-Entry System, principal of and interest on this Bond shall be paid as provided in the hereinafter described Indenture. Payment shall be made in lawful money of the United States of America. The amount of interest to be paid is to be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Record Date in respect of any Interest Payment Date on this Bond shall be the 20th day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

This Bond is one of the Bonds of the Corporation designated “Alaska Housing Finance Corporation Collateralized Bonds, 2016 First Series (Veterans Mortgage Program)” (herein called the “2016 Bonds”), authorized to be issued in the aggregate principal amount of $32,150,000 under and pursuant to Chapters 55 and 56 of Title 18, Alaska Statutes, as amended (herein called the “Act”), and an Indenture by and between the Corporation and the Trustee (formerly known as U.S. Bank Trust National Association), dated as of October 1, 1999 (together with the Supplemental Indenture, the “Indenture”). As provided in the Indenture, the 2016 Bonds may bear interest at different rates and, subject to the provisions thereof, may otherwise vary. Capitalized terms used herein and not defined herein shall have the meaning assigned to such terms in the Indenture.

The payment of this Bond as to principal and interest according to its terms is unconditionally guaranteed by the State of Alaska. The full faith, credit and resources of the State of Alaska are pledged to the payment of the principal of and interest on this Bond and payment of the principal of and interest on this Bond is secured by the general obligation of the State of Alaska.

This Bond is one of a subseries of the 2016 Bonds designated "Alaska Housing Finance Corporation Collateralized Bonds, 2016 First Series (Veterans Mortgage program), Subseries A-1 (Non-AMT)" issued in fully registered form in the aggregate principal amount of $860,000 that are issued under the Indenture and shall be in minimum denominations of $5,000 or any integral multiple thereof. Copies of the Indenture are on file at the office of the Corporation in Anchorage, Alaska, and at the office of the Trustee in Seattle, Washington, and reference to the Indenture and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the 2016 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2016 Bonds with respect thereto and the terms and conditions upon which the 2016 Bonds have been issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture or any indenture amendatory thereof or supplemental thereto may be modified or amended by the Corporation, with the written consent (i) of the holders of at least two-thirds in principal amount of the Bonds then Outstanding, or 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 two-thirds in principal amount of the Bonds of each Series so affected, and (ii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest rate thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond. For certain purposes, the Indenture may be amended or modified without the consent of any holders of the 2016 Bonds. The holder of this Bond shall have no right to enforce the provisions of the Indenture, to institute action to enforce the provisions of the Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of the 2016 Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

The 2016 Bonds are not transferable when held in a Book-Entry System except out of the Book-Entry System under the conditions described in the Indenture. This Bond is transferable, as provided in and subject to the limitations set forth in the Indenture, only upon the bond register of the Corporation maintained for that purpose at the office of the Trustee in Seattle, Washington, or at such other location designated by the Trustee upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or the registered owner's attorney duly authorized in writing, and thereupon a new, fully registered Bond or Bonds in the same aggregate principal amount, and of the same maturity and interest rate shall be authenticated and delivered to the transferee in exchange therefor as provided in the Indenture and upon the payment of charges, if any, as therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if any, hereof and interest due hereon and for all other purposes whatsoever.

Subject to any agreements heretofore or hereafter made with the persons who shall hold any other bonds or notes 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), this Bond is a direct and general obligation of the Corporation, and the full faith and credit of the Corporation is hereby pledged to the payment of the principal or Redemption Price, if any, hereof and interest hereon.

The 2016 Bonds are subject to redemption prior to maturity as set forth in the Indenture.

Neither the members of the Corporation nor any person executing this Bond shall be personally liable hereon or shall be subject to any personal liability or accountability by reason of its execution.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Certificate of Authentication hereon shall have been signed by the Trustee or its agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State and the Indenture, to exist, to have happened and to have been performed precedent to and in connection with the issuance of this Bond, exist, have happened, and have been performed in due time, form, and manner as required by law and that the issue of the 2016 Bonds, together with all other indebtedness of the Corporation, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Alaska Housing Finance Corporation has caused this Bond to be executed in its name by the manual signature of its Chief Executive Officer/Executive Director and its corporate seal to be affixed hereon, and attested by the manual signature of an Authorized Officer.

ALASKA HOUSING FINANCE CORPORATION

By:____

BRYAN D. BUTCHER
Chief Executive Officer/Executive Director

[S E A L]

A T T E S T:

____

MICHAEL STRAND
Chief Financial Officer

GUARANTY BY THE STATE OF ALASKA

The payment of this Bond as to principal and interest according to its terms is hereby unconditionally guaranteed by the State of Alaska. The full faith, credit and resources of the State of Alaska are pledged to the payment of the principal and interest on this Bond, and the principal and interest on this Bond are secured by the general obligation of the State of Alaska.

IN WITNESS WHEREOF, the State of Alaska has caused this guaranty to be executed by the manual signature of the Governor of Alaska.

____
BILL WALKER
Governor
State of Alaska

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2016 Bonds described in the within mentioned Supplemental Indenture and is one of the Collateralized Bonds, 2016 First Series (Veterans Mortgage Program), Subseries A-1 (Non-AMT) of the Alaska Housing Finance Corporation.

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By____
TOM ZRUST
Vice President

Date of Authentication:

FORM OF ASSIGNMENT

For value received ___________________________________ hereby sells, assigns and transfers unto ____

____
(Please insert Social Security or other identifying number of Assignee)

____
(Please print or typewrite name and address, including ZIP code, of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____________________________ attorney to transfer the said Bond on the books kept for registration and transfer thereof, with full power of substitution in the premises.

Dated:

____

NOTE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular without alteration or enlargement or any changes whatever.

Signature Guaranteed

By:__________________________________

[Must be a member of the New York Stock Exchange or a bank]

FORM OF BONDS

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Corporation or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

FORM OF SUBSERIES A-2 (AMT) BOND

No. V-___ Principal Amount: $______________

ALASKA HOUSING FINANCE CORPORATION
COLLATERALIZED BONDS, 2016 FIRST SERIES
(VETERANS MORTGAGE PROGRAM)

Maturity Date: _______________ CUSIP: ____________

Registered Owner: Cede & Co. Interest Rate: ______

Alaska Housing Finance Corporation (the "Corporation"), a public corporation and government instrumentality of the State of Alaska (the "State") created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner set forth above or its registered assigns, the Principal Amount specified above, on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, upon presentation hereof at the corporate trust office of U.S. Bank National Association, in Seattle, Washington, as Trustee (the "Trustee"), and any successor thereto under the 2016 First and Second Series Supplemental Indenture dated as of July 1, 2016, between the Corporation and the Trustee (the "Supplemental Indenture"), or at such other location designated by the Trustee and to pay interest on said principal sum to the registered owner of this Bond from _____________, 2016, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, until the Corporation's obligation with respect to the payment of said principal sum shall be discharged, at the Interest Rate per annum specified above. Interest shall be payable beginning December 1, 2016, and thereafter on the first day of June and the first day of December of each year (each an "Interest Payment Date"); provided, however, that if any date on which interest on this Bond would otherwise be payable is not a Business Day, interest for the applicable period will be paid on the Business Day next following such date. Interest may be paid, at the option of the Corporation, by mailing a check on the Interest Payment Date for such interest payable to the person entitled thereto (such person being the registered owner of record on the Record Date, as defined herein, applicable to such Interest Payment Date) at such person's address as it appears on the bond register of the Corporation as of the Record Date, except that a registered owner of $1,000,000 or more in principal amount of Bonds shall be paid interest by wire transfer in immediately available funds to an account in the United States if such holder makes a written request to the Trustee on or prior to the Record Date specifying such account information as the Trustee may require; provided, however, that while this Bond is held in a Book-Entry System, principal of and interest on this Bond shall be paid as provided in the hereinafter described Indenture. Payment shall be made in lawful money of the United States of America. The amount of interest to be paid is to be computed on the basis of a 360- day year consisting of twelve 30-day months.

The Record Date in respect of any Interest Payment Date on this Bond shall be the 20th day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

This Bond is one of the Bonds of the Corporation designated “Alaska Housing Finance Corporation Collateralized Bonds, 2016 First Series (Veterans Mortgage Program)” (herein called the “2016 Bonds”), authorized to be issued in the aggregate principal amount of $32,150,000 under and pursuant to Chapters 55 and 56 of Title 18, Alaska Statutes, as amended (herein called the “Act”), and an Indenture by and between the Corporation and the Trustee (formerly known as U.S. Bank Trust National Association), dated as of October 1, 1999 (together with the Supplemental Indenture, the “Indenture”). As provided in the Indenture, the 2016 Bonds may bear interest at different rates and, subject to the provisions thereof, may otherwise vary. Capitalized terms used herein and not defined herein shall have the meaning assigned to such terms in the Indenture.

The payment of this Bond as to principal and interest according to its terms is unconditionally guaranteed by the State of Alaska. The full faith, credit and resources of the State of Alaska are pledged to the payment of the principal of and interest on this Bond and payment of the principal of and interest on this Bond is secured by the general obligation of the State of Alaska.

This Bond is one of a subseries of the 2016 Bonds designated "Alaska Housing Finance Corporation Collateralized Bonds, 2016 First Series (Veterans Mortgage program), Subseries A-2 (AMT)" issued in fully registered form in the aggregate principal amount of $31,290,000 that are issued under the Indenture and shall be in minimum denominations of $5,000 or any integral multiple thereof. Copies of the Indenture are on file at the office of the Corporation in Anchorage, Alaska, and at the office of the Trustee in Seattle, Washington, and reference to the Indenture and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the 2016 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2016 Bonds with respect thereto and the terms and conditions upon which the 2016 Bonds have been issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture or any indenture amendatory thereof or supplemental thereto may be modified or amended by the Corporation, with the written consent (i) of the holders of at least two-thirds in principal amount of the Bonds then Outstanding, or 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 two-thirds in principal amount of the Bonds of each Series so affected, and (ii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest rate thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond. For certain purposes, the Indenture may be amended or modified without the consent of any holders of the 2016 Bonds. The holder of this Bond shall have no right to enforce the provisions of the Indenture, to institute action to enforce the provisions of the Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of the 2016 Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

The 2016 Bonds are not transferable when held in a Book-Entry System except out of the Book-Entry System under the conditions described in the Indenture. This Bond is transferable, as provided in and subject to the limitations set forth in the Indenture, only upon the bond register of the Corporation maintained for that purpose at the office of the Trustee in Seattle, Washington, or at such other location designated by the Trustee upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or the registered owner's attorney duly authorized in writing, and thereupon a new, fully registered Bond or Bonds in the same aggregate principal amount, and of the same maturity and interest rate shall be authenticated and delivered to the transferee in exchange therefor as provided in the Indenture and upon the payment of charges, if any, as therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if any, hereof and interest due hereon and for all other purposes whatsoever.

Subject to any agreements heretofore or hereafter made with the persons who shall hold any other bonds or notes 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), this Bond is a direct and general obligation of the Corporation, and the full faith and credit of the Corporation is hereby pledged to the payment of the principal or Redemption Price, if any, hereof and interest hereon.

The 2016 Bonds are subject to redemption prior to maturity as set forth in the Indenture.

Neither the members of the Corporation nor any person executing this Bond shall be personally liable hereon or shall be subject to any personal liability or accountability by reason of its execution.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Certificate of Authentication hereon shall have been signed by the Trustee or its agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State and the Indenture, to exist, to have happened and to have been performed precedent to and in connection with the issuance of this Bond, exist, have happened, and have been performed in due time, form, and manner as required by law and that the issue of the 2016 Bonds, together with all other indebtedness of the Corporation, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Alaska Housing Finance Corporation has caused this Bond to be executed in its name by the manual signature of its Chief Executive Officer/Executive Director and its corporate seal to be affixed hereon, and attested by the manual signature of an Authorized Officer.

ALASKA HOUSING FINANCE CORPORATION

By:____

BRYAN D. BUTCHER
Chief Executive Officer/Executive Director

[S E A L]

A T T E S T:

____

MICHAEL STRAND
Chief Financial Officer

GUARANTY BY THE STATE OF ALASKA

The payment of this Bond as to principal and interest according to its terms is hereby unconditionally guaranteed by the State of Alaska. The full faith, credit and resources of the State of Alaska are pledged to the payment of the principal and interest on this Bond, and the principal and interest on this Bond are secured by the general obligation of the State of Alaska.

IN WITNESS WHEREOF, the State of Alaska has caused this guaranty to be executed by the manual signature of the Governor of Alaska.

____

BILL WALKER
Governor
State of Alaska

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2016 Bonds described in the within mentioned Supplemental Indenture and is one of the Collateralized Bonds, 2016 First Series (Veterans Mortgage Program), Subseries A-2 (AMT) of the Alaska Housing Finance Corporation.

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By____
TOM ZRUST
Vice President

Date of Authentication:

FORM OF ASSIGNMENT

For value received ___________________________________ hereby sells, assigns and transfers unto ____

____

(Please insert Social Security or other identifying number of Assignee)

____

(Please print or typewrite name and address, including ZIP code, of Assignee)

the within Bond and does hereby irrevocably constitute and appoint ______________________________ attorney to transfer the said Bond on the books kept for registration and transfer thereof, with full power of substitution in the premises.

Dated:

____

NOTE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular without alteration or enlargement or any changes whatever.

Signature Guaranteed

By:___________________________________

[Must be a member of the New York Stock Exchange or a bank]

FORM OF BONDS

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Corporation or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

FORM OF SECOND SERIES BOND

No. V-___ Principal Amount: $_____________

ALASKA HOUSING FINANCE CORPORATION
COLLATERALIZED BONDS, 2016 SECOND SERIES
(VETERANS MORTGAGE PROGRAM)

Maturity Date: ______________ CUSIP: ___________

Registered Owner: Cede & Co. Interest Rate: ______

Alaska Housing Finance Corporation (the "Corporation"), a public corporation and government instrumentality of the State of Alaska (the "State") created and existing under and by virtue of the laws of the State, acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner set forth above or its registered assigns, the Principal Amount specified above, on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, upon presentation hereof at the corporate trust office of U.S. Bank National Association, in Seattle, Washington, as Trustee (the "Trustee"), and any successor thereto under the 2016 First and Second Series Supplemental Indenture dated as of July 1, 2016, between the Corporation and the Trustee (the "Supplemental Indenture"), or at such other location designated by the Trustee and to pay interest on said principal sum to the registered owner of this Bond from ____________, 2016, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, until the Corporation's obligation with respect to the payment of said principal sum shall be discharged, at the Interest Rate per annum specified above. Interest shall be payable beginning December 1, 2016, and thereafter on the first day of June and the first day of December of each year (each an "Interest Payment Date"); provided, however, that if any date on which interest on this Bond would otherwise be payable is not a Business Day, interest for the applicable period will be paid on the Business Day next following such date. Interest may be paid, at the option of the Corporation, by mailing a check on the Interest Payment Date for such interest payable to the person entitled thereto (such person being the registered owner of record on the Record Date, as defined herein, applicable to such Interest Payment Date) at such person's address as it appears on the bond register of the Corporation as of the Record Date, except that a registered owner of $1,000,000 or more in principal amount of Bonds shall be paid interest by wire transfer in immediately available funds to an account in the United States if such holder makes a written request to the Trustee on or prior to the Record Date specifying such account information as the Trustee may require; provided, however, that while this Bond is held in a Book-Entry System, principal of and interest on this Bond shall be paid as provided in the hereinafter described Indenture. Payment shall be made in lawful money of the United States of America. The amount of interest to be paid is to be computed on the basis of a 360- day year consisting of twelve 30-day months.

The Record Date in respect of any Interest Payment Date on this Bond shall be the 20th day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

This Bond is one of the Bonds of the Corporation designated “Alaska Housing Finance Corporation Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program)” (herein called the “2016 Bonds”), authorized to be issued in the aggregate principal amount of $17,850,000 under and pursuant to Chapters 55 and 56 of Title 18, Alaska Statutes, as amended (herein called the “Act”), and an Indenture by and between the Corporation and the Trustee (formerly known as U.S. Bank Trust National Association), dated as of October 1, 1999 (together with the Supplemental Indenture, the “Indenture”). As provided in the Indenture, the 2016 Bonds may bear interest at different rates and, subject to the provisions thereof, may otherwise vary. Capitalized terms used herein and not defined herein shall have the meaning assigned to such terms in the Indenture.

The payment of this Bond as to principal and interest according to its terms is unconditionally guaranteed by the State of Alaska. The full faith, credit and resources of the State of Alaska are pledged to the payment of the principal of and interest on this Bond and payment of the principal of and interest on this Bond is secured by the general obligation of the State of Alaska.

This Bond is one of a subseries of the 2016 Bonds designated "Alaska Housing Finance Corporation Collateralized Bonds, 2016 Second Series (Veterans Mortgage program)" issued in fully registered form in the aggregate principal amount of $17,850,000 that are issued under the Indenture and shall be in minimum denominations of $5,000 or any integral multiple thereof. Copies of the Indenture are on file at the office of the Corporation in Anchorage, Alaska, and at the office of the Trustee in Seattle, Washington, and reference to the Indenture and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the 2016 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the 2016 Bonds with respect thereto and the terms and conditions upon which the 2016 Bonds have been issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Indenture, the provisions of the

Indenture or any indenture amendatory thereof or supplemental thereto may be modified or amended by the Corporation, with the written consent (i) of the holders of at least two-thirds in principal amount of the Bonds then Outstanding, or 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 two-thirds in principal amount of the Bonds of each Series so affected, and (ii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest rate thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond. For certain purposes, the Indenture may be amended or modified without the consent of any holders of the 2016 Bonds. The holder of this Bond shall have no right to enforce the provisions of the Indenture, to institute action to enforce the provisions of the Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of the 2016 Bonds issued thereunder and then outstanding, together with accrued interest thereon, may become or may be declared due and payable before the maturity thereof.

The 2016 Bonds are not transferable when held in a Book-Entry System except out of the Book-Entry System under the conditions described in the Indenture. This Bond is transferable, as provided in and subject to the limitations set forth in the Indenture, only upon the bond register of the Corporation maintained for that purpose at the office of the Trustee in Seattle, Washington, or at such other location designated by the Trustee upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or the registered owner's attorney duly authorized in writing, and thereupon a new, fully registered Bond or Bonds in the same aggregate principal amount, and of the same maturity and interest rate shall be authenticated and delivered to the transferee in exchange therefor as provided in the Indenture and upon the payment of charges, if any, as therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if any, hereof and interest due hereon and for all other purposes whatsoever.

Subject to any agreements heretofore or hereafter made with the persons who shall hold any other bonds or notes 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), this Bond is a direct and general obligation of the Corporation, and the full faith and credit of the Corporation is hereby pledged to the payment of the principal or Redemption Price, if any, hereof and interest hereon.

The 2016 Bonds are subject to redemption prior to maturity as set forth in the Indenture.

Neither the members of the Corporation nor any person executing this Bond shall be personally liable hereon or shall be subject to any personal liability or accountability by reason of its execution.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Certificate of Authentication hereon shall have been signed by the Trustee or its agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State and the Indenture, to exist, to have happened and to have been performed precedent to and in connection with the issuance of this Bond, exist, have happened, and have been performed in due time, form, and manner as required by law and that the issue of the 2016 Bonds, together with all other indebtedness of the Corporation, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Alaska Housing Finance Corporation has caused this Bond to be executed in its name by the manual signature of its Chief Executive Officer/Executive Director and its corporate seal to be affixed hereon, and attested by the manual signature of an Authorized Officer.

ALASKA HOUSING FINANCE CORPORATION

By:____
BRYAN D. BUTCHER
Chief Executive Officer/Executive Director

[S E A L]

A T T E S T:

____
MICHAEL STRAND
Chief Financial Officer

GUARANTY BY THE STATE OF ALASKA

The payment of this Bond as to principal and interest according to its terms is hereby unconditionally guaranteed by the State of Alaska. The full faith, credit and resources of the State of Alaska are pledged to the payment of the principal and interest on this Bond, and the principal and interest on this Bond are secured by the general obligation of the State of Alaska.

IN WITNESS WHEREOF, the State of Alaska has caused this guaranty to be executed by the manual signature of the Governor of Alaska.

____
BILL WALKER
Governor
State of Alaska

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the 2016 Bonds described in the within mentioned Supplemental Indenture and is one of the Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program) of the Alaska Housing Finance Corporation.

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By______________________________________
TOM ZRUST
Vice President

Date of Authentication:

FORM OF ASSIGNMENT

For value received ____________________________________ hereby sells, assigns and transfers unto ____

____

(Please insert Social Security or other identifying number of Assignee)

____

(Please print or typewrite name and address, including ZIP code, of Assignee)

the within Bond and does hereby irrevocably constitute and appoint ______________________________ attorney to transfer the said Bond on the books kept for registration and transfer thereof, with full power of substitution in the premises.

Dated:

____

NOTE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular without alteration or enlargement or any changes whatever.

Signature Guaranteed

By:___________________________________

[Must be a member of the New York Stock Exchange or a bank]

PRELIMINARY OFFICIAL STATEMENT DATED JULY [ ], 2016

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or

NEW ISSUE FULL BOOK-ENTRY

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

[AHFC LOGO]

$50,000,000*
ALASKA HOUSING FINANCE CORPORATION
Collateralized Bonds
(Veterans Mortgage Program)

$32,150,000*
2016 First Series
$860,000* Subseries A-1 (Non-AMT)
$31,290,000* Subseries A-2 (AMT)

$17,850,000*
2016 Second Series (Non-AMT)

Dated	Date of Delivery.
Due	As shown on the inside cover page.
Price	As shown on the inside cover page.
Tax Exemption	In the opinion of the Law Office of Kenneth E. Vassar, LLC, Bond Counsel, and Hawkins Delafield & Wood LLP, Special Tax Counsel to the Corporation, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2016 Bonds (as defined in this Official Statement) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the Subseries A-1 (Non-AMT) Bonds (as defined in this Official Statement) and 2016 Second Series Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest on the Subseries A-1 (Non-AMT) Bonds is, and interest on the 2016 Second Series Bonds is not, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations, and (iii) interest on the Subseries A-2 (AMT) Bonds (as defined in this Official Statement) is treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. In the opinion of Bond Counsel, under existing laws, interest on the 2016 Bonds (as defined in this Official Statement) is exempt 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 2016 Bonds. See "TAX MATTERS" herein.
Redemption	The 2016 Bonds are subject to redemption prior to maturity at 100% of their principal amount under the circumstances described herein. See "REDEMPTION OF THE 2016 BONDS."
Security	**Principal of and interest on the 2016 Bonds are unconditionally guaranteed by the State of Alaska. The 2016 Bonds will be primarily secured by Program Obligations (as defined in this Official Statement) initially consisting of conventional, single-family residential mortgage loans that are either guaranteed by the Department of Veterans Affairs or the Rural Housing Service (formerly, the Farmers' Home Administration) or insured by the Federal Housing Administration (the "Mortgage Loans") and securities backed by Mortgage Loans ("Mortgage Certificates"). The Mortgage Certificates will be issued or guaranteed by GNMA, FNMA or FHLMC (as defined herein) and will be held by the Trustee. The 2016 Bonds will also be secured by the Pledged Revenues (as defined in this Official Statement) and by all assets held in any fund or account established under the Indenture. The Mortgage Loans will consist of Mortgage Loans that the Corporation has purchased or will purchase from qualifying lending institutions located in the State of Alaska that originated such Mortgage Loans (the "Purchased Mortgage Loans"). See "THE PROGRAM OBLIGATION FUND—The Special Mortgage Loan Purchase Program" herein. Each Mortgage Loan will be secured by a first mortgage lien on residential property located in the State of Alaska. THE CORPORATION HAS NO TAXING POWER. THE 2016 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 2016 BONDS AND TO THE EXCLUSION OF MONEY IN THE CORPORATION'S HOUSING DEVELOPMENT FUND.**
Interest Payment Dates	December 1, 2016, and on each June 1 and December 1 thereafter.
Denominations	$5,000 or any integral multiple thereof.
Delivery Date	Expected on or about July 27, 2016.
Bond Counsel	Law Office of Kenneth E. Vassar, LLC.
Special Tax Counsel	Hawkins Delafield & Wood LLP.
Disclosure Counsel	Kutak Rock LLP.
Trustee	U.S. Bank National Association.
Financial Advisor	FirstSouthwest, a Division of Hilltop Securities Inc.
Book-Entry System	The Depository Trust Company. See "DESCRIPTION OF THE 2016 BONDS—Book-Entry Only System."

The 2016 Bonds are offered when, as and if issued, subject to the approval of legality by the Law Office of Kenneth E. Vassar, LLC, Anchorage, Alaska, Bond Counsel and to the confirmation of certain tax matters by the Law Office of Kenneth E. Vassar, LLC and by Hawkins Delafield & Wood LLP, New York, New York, Special Tax Counsel to the Corporation.

Sale Date: July ___, 2016

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* Preliminary; subject to change.

MATURITY SCHEDULE*

$32,150,000*
2016 FIRST SERIES

$860,000* Subseries A-1 (Non-AMT) Bonds

$_______________ Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Yield or Price	CUSIP†
	$	%	%	

$31,290,000* Subseries A-2 (AMT) Bonds
$_______________* Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Yield or Price	CUSIP†
	$	%	%	

$________________ ______% Term Bonds due ____________ 1, ____ Price: _____% CUSIP† _______

$________________ ______% Term Bonds due ____________ 1, ____ Price: _____% CUSIP† _______

$17,850,000*
2016 SECOND SERIES (Non-AMT)
$________________ Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Yield or Price	CUSIP†
	$	%	%	

$________________ ______% Term Bonds due ____________ 1, _____ CUSIP† _______

$________________ ______% Term Bonds due ____________ 1, _____ CUSIP† _______

Price of all 2016 Bonds—100%

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* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGrawHill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. This CUSIP number has been assigned by an independent company not affiliated with the Corporation and is included solely for the convenience of the registered owners of the applicable 2016 Bonds. The Corporation and the Underwriter are not responsible for the selection or uses of the CUSIP number, and no representation is made as to its correctness by the Corporation or the Underwriter on the 2016 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance.

The distribution of this Official Statement has been authorized by the Alaska Housing Finance Corporation. The material contained herein was compiled by officers of the Corporation, with the advice and assistance of FirstSouthwest, a Division of Hilltop Securities Inc., financial advisor to the Corporation and the Law Office of Kenneth E. Vassar, LLC, bond counsel to the Corporation and Kutak Rock LLP, disclosure counsel to the Corporation. Data has been obtained from official sources, so far as possible, and otherwise from sources which are believed to be reliable. The accuracy and completeness of the information derived from these sources is not guaranteed. Estimates and forecasts are necessarily approximate and subject to change. Detailed financial reports from which summaries contained herein have been taken are on file at the offices of the Corporation and at the offices of the relevant state agency.

No dealer, broker, salesman or other person has been authorized by the Alaska Housing Finance Corporation or by the State Bond Committee of the State of Alaska to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offer made by this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the Alaska Housing Finance Corporation or by the State Bond Committee of the State of Alaska. 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 an implication that there has been no change in the affairs of the Alaska Housing Finance Corporation or the State of Alaska since the date hereof. 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 2016 Bonds, in any jurisdiction in which such offer, solicitation or sale is not authorized under the securities laws of such jurisdiction.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CORPORATION, THE STATE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS SUBMITTED BY THE ALASKA HOUSING FINANCE CORPORATION IN CONNECTION WITH THE SALE OF THE 2016 BONDS REFERRED TO HEREIN AND MAY NOT BE PRODUCED OR USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE.

TABLE OF CONTENTS

OFFICIAL STATEMENT
OF
ALASKA HOUSING FINANCE CORPORATION

RELATING TO

$50,000,000*
ALASKA HOUSING FINANCE CORPORATION
Collateralized Bonds
(Veterans Mortgage Program)

$32,150,000*
2016 First Series
$860,000* Subseries A-1 (Non-AMT)
$31,290,000* Subseries A-2 (AMT)

$17,850,000*
2016 Second Series (Non-AMT)

INTRODUCTION

This Official Statement is being distributed by the Alaska Housing Finance Corporation (the "Corporation") to furnish pertinent information to all who may become holders of its Collateralized Bonds, 2016 First Series (Veterans Mortgage Program), Subseries A-1 (Non-AMT) (the "Subseries A-1 (Non-AMT) Bonds"), its Collateralized Bonds, 2016 First Series (Veterans Mortgage Program), Subseries A-2 (AMT) (the "Subseries A-2 (AMT) Bonds," and, together with the Subseries A-1 (Non-AMT) Bonds, the "2016 First Series Bonds") or its Collateralized Bonds, 2016 Second Series (Non-AMT) (Veterans Mortgage Program) (the "2016 Second Series Bonds" and, together with the 2016 First Bonds, the "2016 Bonds"). The 2016 Bonds are authorized to be issued pursuant to Chapter 56 of Title 18 of the Alaska Statutes, as amended (the "Act"), an Indenture (the "Master Indenture") dated as of October 1, 1999, as amended, and a 2016 First and Second Series Supplemental Indenture (the "2016 Supplemental Indenture"), dated as of July 1, 2016 (together with the Master Indenture, the "Indenture"), to be entered into between the Corporation and U.S. Bank National Association, as trustee (the "Trustee").

The 2016 First Series Bonds and 2016 Second Series Bonds are the tenth and eleventh series of bonds, respectively, issued under the Indenture (the "Bonds"). As of June 1, 2016, the Corporation had issued prior series Bonds in the aggregate principal amount of $682,885,000. The Corporation is permitted to issue additional Bonds (including refunding Bonds) pursuant to and secured under the Indenture ("Additional Bonds"), subject to certain conditions. See "SECURITY FOR THE 2016 BONDS—Additional Bonds." The 2016 Bonds will be secured on a parity with the prior series Bonds and with any Additional Bonds.

The proceeds of the Subseries A-1 (Non-AMT) Bonds and the proceeds of the Subseries A-2 (AMT) Bonds will be used to refund commercial paper of the Corporation (collectively herein, the "Refunded Obligations"), which directly or indirectly refunded previously outstanding Bonds. The proceeds of the 2016 Second Series Bonds will be used to provide funds to make or purchase Mortgage Loans (as defined below). See "ESTIMATED SOURCES AND USES OF FUNDS."

In connection with the redemption and refunding of the Refunded Obligations and the issuance of the 2016 First Series Bonds, certain mortgage loans (the "Transferred Mortgage Loans") will be deemed

* Preliminary; subject to change.

allocated to the 2016 Bonds. For a description as of May 31, 2016 of the Transferred Mortgage Loans, see "MORTGAGES AND MORTGAGE SERVICING—Transferred Mortgage Loans."

Principal of and interest on the Bonds is unconditionally guaranteed by the State of Alaska (the "State"). The full faith, credit and resources of the State are pledged to the payment of principal of and interest on the 2016 Bonds, and the payment of the principal of and interest on the 2016 Bonds is secured by the general obligation of the State. A total amount of $3,300,000,000 of State-guaranteed veterans bonds have been authorized to be issued by the Corporation by six statewide voted bond propositions. A total of $2,605,385,000 in bonds has been issued by the Corporation under such authorizations (excluding the 2016 Bonds), of which approximately $11,585,000 is outstanding as of June 1, 2016.

On June 5, 2016, the State Bond Committee approved by resolution the timing and amount of the 2016 Bonds sale.

The Corporation and the State intend to enter into agreements to provide continuing disclosure to permit the purchaser to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission.

All capitalized terms used in this Official Statement that are defined in the Indenture (unless otherwise herein defined) shall have the same meanings as in the Indenture. See "DESCRIPTION OF THE INDENTURE" herein.

Certain provisions of the Indenture are being amended by the 2016 Supplemental Indenture, and such amendments will become effective on the first date that no Bond that was Outstanding on the effective date of the 2016 Supplemental Indenture, not including the 2016 Bonds, remains Outstanding. The Corporation expects that the effective date of such amendments will be the date of issuance of the 2016 Bonds. Purchasers of the 2016 Bonds shall be deemed to have consented to such amendments by their purchase of such 2016 Bonds. See "DESCRIPTION OF THE INDENTURE—Certain Amendments."

The summaries and references herein to the Act, the 2016 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 2016 Bonds, 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.

ESTIMATED SOURCES AND USES OF FUNDS

The expected sources and uses of funds in connection with the 2016 Bonds are set forth in the following table:

SOURCES	
2016 First Series Bonds Par Amount	$
2016 Second Series Bonds Par Amount	
Transfers from the Corporation[1]	
Available Amounts Related to Refunded Obligations[2]	____________
Total Sources	$____________
USES	
Redemption of Refunded Obligations	$
Program Obligation Fund[3]	
Underwriter's Fees	
Capitalized Interest Account	
Debt Service Account[4]	____________
Total Uses	$____________

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[1] In addition to the amounts set forth in this table, the Corporation will pay approximately $______________ of associated costs of issuance from available Corporation funds.

[2] In connection with the redemption of the Refunded Obligations, the Transferred Mortgage Loans and certain other assets will be allocated to the 2016 Bonds.

[3] The acquisition of the initial portfolio of Program Obligations (as defined below under "SECURITY FOR THE 2016 BONDS—General") with 2016 Bond proceeds is expected to be completed by July 27, 2016. Mortgage Loans acquired by the Corporation from the proceeds of the 2016 Bonds are expected to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder. See "TAX MATTERS."

[4] The Corporation may contribute additional amounts to the Debt Service Account if necessary to provide sufficient cash flow for payment of the 2016 Bonds.

SECURITY FOR THE 2016 BONDS

General

The 2016 Bonds are general obligations of the Corporation payable out of any of its revenues, moneys or assets, subject to agreements heretofore or hereafter made with the holders of notes and bonds, other than the Bonds, pledging particular revenues, moneys or assets for the payment thereof and subject to the exclusion of money in the Corporation's Housing Development Fund.

The 2016 Bonds will be primarily secured by certain program obligations (the "Program Obligations") initially consisting of conventional, single-family residential mortgage loans (the "Mortgage Loans") that are either guaranteed by the Department of Veterans Affairs ("VA") or the USDA Rural Development ("RD") (formerly, the Farmers' Home Administration), or insured by the Federal Housing Administration ("FHA") or through private mortgage insurance. The Mortgage Loans will consist of first mortgage loans for single-family residences in the State that the Corporation will purchase from qualifying lending institutions that originated such Mortgage Loans (the "Purchased Mortgage Loans"). See "THE PROGRAM OBLIGATION FUND—The Special Mortgage Loan Purchase Program" herein. Each Mortgage Loan will be secured by a first mortgage lien on residential property located in the State. Under the Indenture, Program Obligations may also include Mortgage Certificates (as defined below) and, if the Rating Agencies (as defined below) shall have previously informed the Corporation and the Trustee in writing that there would be no adverse effect on the credit ratings previously assigned by them to the Bonds, other mortgage instruments. Mortgage certificates (the "Mortgage Certificates"), if any, will be issued or guaranteed, as the case may be, by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"). The Program Obligations, together with the payments thereon, will be pledged to the Trustee under the Indenture.

As described above under "INTRODUCTION," following the redemption and refunding of the Refunded Obligations with the proceeds of the Subseries A-1 (Non AMT) Bonds and the proceeds of the Subseries A-2 (AMT) Bonds, approximately \$32.3* million principal balance of Transferred Mortgage Loans will be allocated to such Bonds. For a description as of May 31, 2016 of the Transferred Mortgage Loans, see "MORTGAGES AND MORTGAGE SERVICING—Transferred Mortgage Loans."

Approximately \$9.3* million of the proceeds of the 2016 Second Series Bonds will be used to purchase recently originated Mortgage Loans financed on a temporary basis with Corporation funds. The balance of approximately \$8.6* million of the proceeds of the 2016 Second Series Bonds will be used to finance new Mortgage Loans following the issuance of the 2016 Bonds. The Corporation may exchange certain of such Mortgage Loans for Mortgage Certificates. For a more complete description of the Mortgage Certificates, see "THE PROGRAM OBLIGATION FUND—Mortgage Certificates" herein. The Corporation expects to complete its initial acquisition of Mortgage Loans and, if applicable, Mortgage Certificates with proceeds of the 2016 Second Series Bonds by July 27, 2016.

Mortgage Loans purchased from 2016 Second Series Bond proceeds will be limited to Mortgage Loans made to qualifying veterans which are secured by a first lien on residential, single family homes and which bear interest at a fixed rate. Such Mortgage Loans will provide for approximately equal monthly installments of principal and interest for an initial term of at least 15 years, but no more than 30 years, from the date of origination. For a more complete description of the Mortgage Loans, see "MORTGAGES AND MORTGAGE SERVICING—The Mortgages" and "CERTAIN LEGAL ASPECTS OF THE MORTGAGE LOANS."

No representation is made as to the percentage of the Program Obligation Fund with respect to the 2016 Bonds under the Indenture (the "Program Obligation Fund") which will be invested initially in Purchased Mortgage Loans, Mortgage Certificates or other permitted investments.

Pledged Revenues

In addition, the 2016 Bonds will be secured by a pledge of the Corporation's rights under the pledged Program Obligations and the various insurance policies and guaranty agreements provided with respect to the pledged Program Obligations, and by a pledge of the Pledged Revenues under the Indenture and all assets held in any fund or account established under the Indenture (except any Rebate Fund and any account within either a Credit Enhancement Fund or a Liquidity Facility Fund that is used exclusively to reimburse the credit enhancer or liquidity facility provider pursuant to the terms of the Credit Enhancement or Liquidity Facility). Pledged Revenues include (i) payments of principal and interest on the Pledged Program Obligations deposited with the Trustee and all other net proceeds of such Pledged Program Obligations and (ii) investment earnings on Investment Securities held by the Trustee as security for the Bonds and the net gain realized on the sale or other disposition of such Investment Securities. Pledged Revenues do not include earnings or payments on amounts on deposit in the Rebate Fund or the Over Collateralization Requirement Fund for the 2016 Bonds (the "OCR Fund").

* Preliminary; subject to change.

OCR Fund

If amounts in the Interest Account of the Revenue Fund and the Principal Account and General Account of the Redemption Fund are insufficient to pay debt service on the Bonds, amounts in the OCR Fund are available for such payment if there is an insufficient amount to pay such deficiency in the Debt Service Account. The OCR Fund may consist of certain mortgage loans, cash and other assets contributed to it by the Corporation. The Corporation will deposit mortgage loans, mortgage certificates and/or cash into the OCR Fund in an amount sufficient to satisfy the OCR Fund Requirement.

Sufficiency of Pledged Revenues

The completed initial portfolio of Program Obligations is expected to have an aggregate outstanding principal balance of approximately $32.2* million with respect to the 2016 First Series Bonds and approximately $9.3* million with respect to the 2016 Second Series Bonds and will be pledged to the payment of the 2016 Bonds and all other Bonds on a parity basis. Revenues received in respect of such Program Obligations and any other Program Obligations subsequently acquired, including amounts attributable to prepayments, are required to be deposited in the Revenue Fund and will be applied (unless used to purchase additional Program Obligations), together with amounts available from investment earnings, to meet interest payments, sinking fund redemption requirements, principal maturities and other redemption provisions of the Bonds. The cash flow from such Mortgage Loans and other Program Obligations and any subsequent Mortgage Loans or other Program Obligations, together with investment income and the Debt Service Account, is expected to be sufficient for all required principal (including sinking fund) and interest payments on the Bonds.

State Guaranty

Principal of and interest on all Bonds are unconditionally guaranteed by the State of Alaska. The full faith, credit and resources of the State are pledged to the payment of principal of and interest on all Bonds, and payment of the principal of and interest on all Bonds are secured by the general obligation of the State of Alaska.

Debt Service Account

The Corporation will establish by a cash transfer from its unrestricted general funds a Debt Service Account in approximately the amount of $1 million* in order to assure the availability of moneys for the payment of debt service on the Bonds. The Corporation may deposit additional amounts in the Debt Service Account to the extent necessary to provide adequate cash flow to pay the Bonds. Under the terms of the Indenture, any deficiency in the minimum required deposit of amounts in the Interest Account, Principal Account and General Account with respect to payment of interest, principal or sinking fund payments on the Bonds three business days prior to any Interest Payment Date must be immediately satisfied with a withdrawal from the Debt Service Account and, if amounts therein shall be insufficient, from any other funds of the Corporation available therefor, including amounts in the OCR Fund. On the first Interest Payment Date next following the acquisition of the initial portfolio of Program Obligations with proceeds of the 2016 Bonds, in the event the Corporation has filed with the Trustee a Bond Coverage Certificate (as defined below) demonstrating Bond Coverage (as defined below) after giving effect to such withdrawal, the balance remaining in the Debt Service Account in excess of the Minimum Debt Service Account Requirement may be withdrawn by the Corporation to the extent that all debt service on all Outstanding Bonds then due shall have been paid as of such Interest Payment Date or as of the most recent applicable Interest Payment Date for such Bonds and to the extent that certain other tests are met. Any amounts

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* Preliminary; subject to change.

remaining in the Debt Service Account five days after such Interest Payment Date in excess of the Minimum Debt Service Account Requirement shall be transferred by the Trustee to the Revenue Fund. On future Interest Payment Dates, the Trustee shall transfer any amounts in the Debt Service Account that are in excess of the Minimum Debt Service Account Requirement to the Revenue Fund.

Additional Bonds

Additional Bonds (including refunding Bonds) may be issued pursuant to the Master Indenture upon compliance with the provisions thereof, which include the requirement that no Additional Bonds may be issued (i) without the delivery of a Bond Coverage Certificate (as defined below) to the Trustee and (ii) unless the ratings then assigned by the Rating Agencies to the then Outstanding Bonds without regard to any bond insurance or any other form of credit enhancement will not be reduced as a result of the issuance of such Additional Bonds. The Bonds issued under the Indenture will rank on a parity with each other; therefore, the availability of money for repayment of the 2016 Bonds could be significantly affected by the issuance of Additional Bonds. The Corporation is also permitted to issue bonds which are separately secured and bonds which are also general obligations of the Corporation.

DESCRIPTION OF THE 2016 BONDS

The 2016 Bonds will be dated as set forth on the cover page. The 2016 Bonds will mature on the dates and in the amounts as set forth on the inside cover page, and will bear interest (calculated on the basis of a 360-day year consisting of twelve 30-day months), payable on each June 1 and December 1, commencing December 1, 2016, from their dated dates to their maturity dates, as set forth on the inside cover page, at the applicable rates, as set forth on the inside cover page. The 2016 Bonds shall be issued in denominations of $5,000 or any integral multiple thereof.

All 2016 Bonds will be issued only in fully registered form and will be initially offered only in book-entry form, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the 2016 Bonds. See "DESCRIPTION OF THE 2016 BONDS—Book-Entry Only System" herein. The 2016 Bonds are issuable in minimum denominations of $5,000 or any integral multiple thereof. For so long as Cede & Co. remains the registered owner of the 2016 Bonds, payments of principal of and interest on the 2016 Bonds will be made by the Trustee directly to DTC or Cede & Co., as the nominee of DTC. DTC procedures provide for DTC to remit such payments to banks, brokers and dealers who are, or who act through, participants of DTC ("DTC Participants") and for such payments to thereafter be paid by DTC Participants to the Beneficial Owners (as defined below). For payment if the 2016 Bonds are no longer held in book-entry-only system, see "Delivery of Bond Certificates" below.

Book-Entry Only System

The 2016 Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the 2016 Bonds. Purchasers of such 2016 Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the 2016 Bonds are immobilized in the custody of DTC, references to holders or owners of 2016 Bonds 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 Underwriter takes responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the 2016 Bonds. The 2016 Bonds will be issued as fully registered securities in the name of Cede & Co., DTC's partnership nominee ("Cede"), or such other name as may be requested by an authorized representative of DTC. One fully registered 2016 Bond certificate will be issued for each maturity of each subseries thereof set forth on the inside cover page in the aggregate principal amount of each such maturity and will be deposited with DTC. One fully registered 2016 Bond certificate will be issued for each maturity thereof set forth on the inside cover page in the aggregate principal amount of each 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, the National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. 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 (information on the DTC website is not a part of this Official Statement).

Purchases of 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 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 2016 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 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 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 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 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 2016 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of 2016 Bonds may wish to ascertain that the nominee holding the 2016 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 of the 2016 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 the 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's 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's consenting or voting rights to those Direct Participants to whose accounts the 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the 2016 Bonds will be made to Cede, 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 2016 BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2016 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 OF THE 2016 BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

DTC may discontinue providing its services as securities depository with respect to the 2016 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2016 Bond certificates are required to be printed and delivered as described in the Indenture.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2016 Bond certificates will be printed and delivered to DTC.

The information herein concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

Payments of Principal and Interest

For so long as Cede & Co. is the registered owner of the 2016 Bond, payments of principal and interest with respect to the 2016 Bonds will be paid by the Trustee directly to DTC or its nominee, Cede & Co. DTC procedures provide for DTC to remit such payments to the DTC Participants and such payments to thereafter be paid by DTC Participants to Beneficial Owners. NO ASSURANCE CAN BE GIVEN BY THE CORPORATION THAT DTC AND DTC PARTICIPANTS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO BENEFICIAL OWNERS. THE CORPORATION IS NOT RESPONSIBLE OR LIABLE FOR PAYMENT BY DTC OR DTC PARTICIPANTS OR FOR SENDING TRANSACTION STATEMENTS OR FOR MAINTAINING, SUPERVISING OR REVIEWING RECORDS MAINTAINED BY DTC OR DTC PARTICIPANTS OR FOR ANY OTHER ACTION TAKEN OR NOT TAKEN BY DTC OR DTC PARTICIPANTS. THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM DTC, AND THE CORPORATION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. THE BENEFICIAL OWNER MAY BE CHARGED A SUM SUFFICIENT TO COVER ANY TAX, FEE OR OTHER GOVERNMENTAL CHARGE THAT MAY BE IMPOSED FOR EVERY TRANSFER AND EXCHANGE OF THE 2016 BONDS.

Delivery of Bond Certificates

In the event the Corporation, in its sole discretion, determines that the Beneficial Owners should obtain bond certificates, the Corporation may, at its own expense, execute and deliver 2016 Bonds in the form of fully registered certificates, which would be available for distribution to Beneficial Owners or their nominees. In such event, principal and interest with respect to the 2016 Bonds will be payable to the holders of the 2016 Bonds in accordance with the terms of the Indenture. DTC also may discontinue providing its services with respect to the 2016 Bonds by giving notice to the Corporation and discharging its responsibilities under applicable law.

If bond certificates are issued as provided above, the principal and interest due upon maturity or redemption of any of the 2016 Bonds (or earlier payment in full) will be payable at the office of the Trustee, as Paying Agent, in St. Paul, Minnesota, upon presentation and surrender of such 2016 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 2016 Bond (prior to the maturity or earlier redemption thereof) will be made by the Trustee to the registered owner of such 2016 Bond by check mailed by first-class mail on the Interest Payment Date to such registered owner as of the Record Date at the address appearing on the registration books relating to such 2016 Bonds. A registered owner of $1,000,000 or more in principal amount of Bonds shall be paid interest by wire transfer to an account in the United States if the registered owner makes a written request to the Trustee prior to the Record Date specifying the account address.

If certificates are issued as provided above, the 2016 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 its fees and expenses in connection with the transfer and 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 15 days next preceding an Interest Payment Date on any 2016 Bond or next preceding any selection of any 2016 Bond to be redeemed, or to transfer or exchange any 2016 Bond previously called for redemption except to the extent of any unredeemed portion thereof. If any 2016 Bond is mutilated, lost, stolen or destroyed, the Trustee may execute and deliver a new 2016 Bond of the same maturity, interest rate and principal amount as the 2016 Bond so mutilated, lost, stolen or destroyed, provided that such 2016 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 holder of the 2016 Bond.

Notices to Beneficial Owners

Each Beneficial Owner will receive any notices of redemption and other notices only through the DTC Participant from which each Beneficial Owner acquired its interest in the 2016 Bonds, who, in turn, will receive such notices through the facilities of DTC.

Neither the Trustee nor the Corporation shall have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the 2016 Bonds under or through DTC or any DTC Participant, or any other person not shown on the registration books of the Trustee as being a registered owner of 2016 Bonds with respect to: the accuracy of any records maintained by DTC or any DTC Participant; the payment by DTC or any DTC Participant of any amount in respect of the principal of or interest on the 2016 Bonds; any notice which is permitted or required to be given to holders of the 2016 Bonds under the Indenture; the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the 2016 Bonds; or any consent given or other action taken by DTC as the registered owner of the 2016 Bonds.

Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant, an Indirect Participant or otherwise) to notify the Beneficial Owner of any such notice and its contents or effect will not affect the validity of the redemption or of any other action premised on such notice.

When reference is made to any action which is required or permitted to be taken by the owners, such reference will only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such owners for such purposes.

REDEMPTION OF THE 2016 BONDS

Special Redemption of 2016 Bonds

The 2016 Bonds are subject to redemption, at the option of the Corporation, in whole or in part on a pro rata basis from among all outstanding maturities of the 2016 Bonds unless the Corporation directs the Trustee otherwise, on any date on or after June 1, 2017 (which date shall be determined by the Corporation, subject to the provisions of, and in accordance with, the Indenture and when so determined or selected shall be deemed as the redemption date), from amounts in the Program Obligation Fund which have not been expended for the purchase of Program Obligations at a price equal to 100% of their principal amount plus accrued interest to the redemption date.

The 2016 Bonds are also subject to redemption, at the option of the Corporation, in whole or part on a pro rata basis from among all outstanding maturities of the 2016 Bonds unless the Corporation directs the Trustee otherwise, on any date beginning December 1, 2016 at a price equal to 100% of their principal amount plus accrued interest to the redemption date, from amounts available for such purpose in the Redemption Fund, which amounts are expected to be generated primarily from repayments and prepayments of principal on Mortgage Loans represented by (or held directly as) Program Obligations. Such amounts may, at the discretion of the Corporation, include excess revenues relating to Mortgage Loans financed by the Corporation with proceeds of the 2016 Bonds, any previously issued Bonds or any Additional Bonds, and amounts in the Debt Service Account in excess of 2% of the outstanding balance of Mortgage Loans (exclusive of Mortgage Loans that have been exchanged for Mortgage Certificates). If the Corporation elects to redeem the 2016 Bonds other than on a pro rata basis pursuant to this paragraph, the Corporation shall file a Bond Coverage Certificate with the Trustee demonstrating Bond Coverage after giving effect to such redemptions.

The Corporation may elect in lieu of the redemption described in the preceding paragraph to transfer such amounts to the Program Obligation Fund for the purchase of new Program Obligations, subject to the limitations described in "ASSUMPTIONS REGARDING THE 2016 BONDS STRUCTURE." Amounts so transferred to the Program Obligation Fund which are not used for the purchase of new Program Obligations shall under certain circumstances be applied by the Corporation to the aforesaid redemption of 2016 Bonds.

Redemption When 2016 First Series Bonds Outstanding Are 15% or Less of Initial Principal Amount

The 2016 First Series Bonds are subject to redemption at 100% of the principal amount thereof, plus accrued interest to the redemption date, in whole on any date at the option of the Corporation, from any source of funds, if the outstanding principal balance of the 2016 First Series Bonds is less than or equal to 15% of the aggregate original principal amount of the 2016 First Series Bonds ($4,822,500*).

Sinking Fund Redemption of 2016 First Series Bonds

The 2016 First Series Bonds which are term bonds are also subject to redemption in part by lot within a maturity at 100% of the principal amount thereof plus interest accrued to the redemption date from mandatory sinking fund payment on the dates and in the principal amounts of such 2016 First Series Bonds specified for each of the years shown below:

Subseries A-2 Bonds (AMT) Maturing _______________

Sinking Fund Payment Date (______ 1)	Principal Amount
	$

Optional Redemption of 2016 First Series Bonds

The 2016 First Series Bonds maturing on or after June 1, 2026, are redeemable, at the option of the Corporation, on or after June 1, 2026, in whole or in part, at any time from any moneys made available for such purpose, at 100% of the principal amount of the 2016 First Series Bonds to be redeemed, plus interest, if any, accrued to the redemption date.

* Preliminary; subject to change.

Redemption When 2016 Second Series Bonds Outstanding Are 15% or Less of Initial Principal Amount

The 2016 Second Series Bonds are subject to redemption at 100% of the principal amount thereof, plus accrued interest to the redemption date, in whole on any date at the option of the Corporation, from any source of funds, if the outstanding principal balance of the 2016 Second Series Bonds is less than or equal to 15% of the aggregate original principal amount of the 2016 Second Series Bonds ($2,677,500*).

Sinking Fund Redemption of 2016 Second Series Bonds

The 2016 Second Series Bonds which are term bonds are also subject to redemption in part by lot within a maturity at 100% of the principal amount thereof plus interest accrued to the redemption date from mandatory sinking fund payment on the dates and in the principal amounts of such 2016 Second Series Bonds specified for each of the years shown below:

Sinking Fund Payment Schedules*

2016 Second Series Bonds (Non-AMT) Maturing _______________

Sinking Fund Payment Date (______ 1)	Principal Amount
	$

Optional Redemption of 2016 Second Series Bonds

The 2016 Second Series Bonds maturing on or after June 1, 2026, are redeemable, at the option of the Corporation, on or after June 1, 2026, in whole or in part, at any time from any moneys made available for such purpose, at 100% of the principal amount of the 2016 Second Series Bonds to be redeemed, plus interest, if any, accrued to the redemption date.

General Provisions

The Corporation may from time to time, prior to notice of redemption, purchase 2016 Bonds from moneys held for redemption at a price not in excess of the applicable Redemption Price plus accrued interest.

Any 2016 Bonds to be redeemed shall be redeemed in accordance with the requirements of the Indenture, and (i) as to the 2016 First Series Bonds, any such redemption (other than a sinking fund redemption) shall be credited against future Sinking Fund Payments applicable to the 2016 First Series Bonds being redeemed on a pro rata basis, unless the Corporation directs the Trustee to credit otherwise, and (ii) as to the 2016 Second Series Bonds, any such redemption (other than a sinking fund redemption) shall be credited against future Sinking Fund Payments applicable to the 2016 Second Series Bonds being redeemed on a pro rata basis, unless the Corporation directs the Trustee to credit otherwise.

Subject to applicable law, notwithstanding the maximum purchase price, if at any time the investment earnings on the moneys available for such purchase shall be less than the interest accruing on the 2016 Bond to be redeemed, then the Trustee may pay a purchase price for any such 2016 Bond in excess of the Redemption Price that would be payable on the next redemption date to the Owner of such

* Preliminary; subject to change.

2016 Bond, if the Corporation certifies to the Trustee that the amount paid in excess of said Redemption Price is less than the interest that is to accrue on said 2016 Bond less any investment earnings on such available moneys for the period from the settlement date of the proposed purchase to the redemption date.

Notice of the call for any redemption, identifying the 2016 Bonds or portion thereof to be redeemed, shall 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 date fixed for redemption to the registered owner of each 2016 Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Trustee. Neither failure to receive any redemption notice nor any defect in such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds.

THE PROGRAM OBLIGATION FUND

The Trustee has established a Program Obligation Fund for the 2016 Bonds. The Trustee shall deposit amounts available as a result of issuance of the 2016 Bonds and the refunding of the Refunded Obligations in the 2016 Bond Proceeds Account of the Program Obligation Fund. The Corporation also may deposit additional funds and Program Obligations to the Program Obligation Fund during the initial acquisition period to satisfy the Bond Coverage requirements under the Indenture. Any Mortgage Loan represented by a Program Obligation purchased entirely with funds contributed by the Corporation need not comply with the mortgage requirements of the Code summarized hereafter.

The Trustee may disburse amounts held in the Program Obligation Fund as follows:

(a) at the written direction of the Corporation, against delivery of Program Obligations to the Trustee for deposit in the Program Obligation Fund, assuming compliance with the cash flow and Bond Coverage calculations referred to under "ASSUMPTIONS REGARDING THE 2016 BONDS STRUCTURE";

(b) at the written direction of the Corporation, to purchase Investment Securities;

(c) to the Interest Account or the Principal Account either (i) as directed in the most recently delivered Bond Coverage Certificate, or (ii) at the written direction of the Corporation to the extent necessary in the opinion of the Corporation to prevent a default in the payment of principal of or interest on the Bonds;

(d) on the date or dates specified in the 2016 Supplemental Indenture to the General Account, any moneys then remaining in the applicable Bond Proceeds Account for the 2016 Bonds unexpended for the purchase of Program Obligations for certain transfers for redemption or recycling;

(e) on any Interest Payment Date for the 2016 Bonds, as applicable, following completion of the purchase of the initial Program Obligation portfolio for the 2016 Bonds, as applicable, in an amount as certified to the Trustee in writing by an Authorized Officer, from the Accounts for the 2016 Bonds, as applicable, in the Program Obligation Fund, as applicable, to the Corporation free and clear of the lien and pledge of the Indenture but only upon receipt by the Trustee from the Corporation of a Bond Coverage Certificate demonstrating Bond Coverage after giving effect to the disbursement; or

(f) on any date, at the written direction of the Corporation, to the General Account, all or any portion of the moneys then on deposit in the Recycling Account.

The Corporation may acquire Program Obligations from moneys initially deposited in the Program Obligation Fund if it extends the Program Obligation acquisition period pursuant to the terms of the Indenture, upon filing with the Trustee a Bond Coverage Certificate, including confirmation from the Rating Agencies that such extension will not cause a reduction in the ratings on the Bonds then in effect.

"Bond Coverage Certificate" means a Certificate establishing Bond Coverage as of a specified date of certification. "Bond Coverage" means a condition which shall be deemed to exist as of any date of certification if either the test set forth in paragraph (i) below or the test set forth in paragraph (ii) below is met as of such date:

(i) the Corporation delivers to the Trustee a Certificate certifying (A) that the Over Collateralization Requirement has been met and that the Minimum Debt Service Account Requirement has been met and (B) that the schedules attached thereto show receipt and application of Eligible Funds which are in any Fund sufficient and available to provide timely payment of the principal of and interest on the Bonds of each Series on each Debt Service Payment Date and Program Expenses, up to the amount permitted to be paid out of the Operating Account within the Redemption Fund pursuant to the Indenture, from (and including) the first interest payment date that is or that follows the date of certification to the maturity of the Bonds; or

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

"*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 from the Rating Agencies initially 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 of such Series or to any other Outstanding Bonds.

The Corporation expects that, subsequent to refunding the Refunded Obligations and receipt of transferred funds, the funds deposited into the Program Obligation Fund on the date of issuance of the 2016 Bonds will be disbursed to it against the deposit of Program Obligations. It is expected that the cash flow from such Program Obligations, together with other Pledged Revenues (including investment income) and moneys from the Debt Service Account, will be sufficient to pay the principal of and interest on the Bonds.

Program Obligations are expected to consist of Mortgage Loans to be or which have been originated under the Corporation's ongoing Veterans Mortgage Program. See "THE CORPORATION—Lending Activities" for a description of the Veterans Mortgage Program.

Under certain circumstances the Indenture permits the Corporation to withdraw amounts held in the Program Obligation Fund free and clear of the lien of the Indenture. Any such withdrawal must be accompanied by a Bond Coverage Certificate demonstrating the sufficiency of revenues to pay principal and interest on the Bonds, notwithstanding such withdrawal, under certain assumptions set forth in the Indenture.

The Special Mortgage Loan Purchase Program

The Special Mortgage Loan Purchase Program, under which the Veterans Mortgage Program is operated, was established by the Corporation in 1980 in connection with a major expansion of the Corporation's functions by the State Legislature. Since June 1980, the Special Mortgage Loan Purchase Program has been a significant funding source for financing owner occupied housing in the State. Under the Special Mortgage Loan Purchase Program, the Corporation purchases first mortgage loans in amounts not in excess of those established for the State by FNMA (except for 1 unit single family mortgage loans, which may not exceed 110% of such FNMA limits). The Corporation's mortgage loan limits are currently $688,050 for single family loans, $800,775 for duplexes, $967,950 for a triplex, and $1,202,925 for a four-plex in the State of Alaska. The loan to value ratio may not exceed 95% for a single-family, 90% for a duplex, or 80% for a triplex or four-plex (except for federally guaranteed or insured mortgage loans, which may have a loan to value ratio in excess of 100% if acceptable to the guarantor or insurer).

Under the Special Mortgage Loan Purchase Program, all prospective residential mortgage loans submitted to the Corporation are subject to review pursuant to its delegated underwriting procedures and all loans with loan to value ratios in excess of 80% be insured through private mortgage insurance or federal insurance or guarantee.

The Corporation's approval of property and credit for residential loans generally follows a procedure which complies with FHLMC and FNMA guidelines and applicable federal and state laws and regulations. The mortgage loans must have been originated by an approved seller ("Seller") having experienced and qualified underwriters and utilizing appraisers and credit reporting agencies acceptable and/or approved by the Corporation. The Seller is required to provide the Corporation with a description of the prospective borrower's financial condition, including their current verified annual income and credit score. The Seller obtains a factual data credit report which summarizes the borrower's credit history with local and non-local creditors, as well as a search of the public records for suits, liens, judgments and bankruptcies. In addition, the Seller obtains from the borrower's employer information with respect to length of employment, current salary and expectations of continued employment. Self-employed applicants are required to provide copies of income tax returns as well as certain other financial data sufficient to determine reliability and adequacy of income. The Seller also verifies from all creditors the repayment history, opening balances and adequacy of repayment of all installment debt shown on the credit report and application. Verifications of deposit are secured for all financial institutions disclosed by the borrower. At present, Sellers are generally required to follow FNMA or FHLMC lending guidelines and use automated underwriting.

The Seller causes an appraisal to be made on each home to be financed. Such appraisal presently is made by an independent appraiser who holds a current general or residential certification and is approved by the Seller. In order to avoid undue influence by the buyer, the seller, or the listing or selling real estate agent, arrangements for the appraisal are made by the Seller/Servicer.

When a loan to be purchased by the Corporation is the first permanent financing on the structure, with the construction financing appraisal having been based on plans and building specifications, a recertification of value by the original appraiser is required prior to the closing of the permanent mortgage. A copy of this recertification must be maintained the Seller's records. The recertification confirms that the home was completed in accordance with the original plans and specifications and that the value is, at a minimum, equal to the original appraised value.

Mortgage Certificates

The Bonds may also be secured by Mortgage Certificates that the Corporation may acquire in exchange for certain Mortgage Loans. The Mortgage Certificates will consist of "fully modified pass through" mortgage backed certificates (the "GNMA Certificates"), guaranteed by GNMA and/or by Guaranteed Mortgage Pass Through Certificates (the "FNMA MBSs") issued by FNMA and/or by Guaranteed Mortgage Pass Through Participation Certificates (the "FHLMC PCs") issued by FHLMC (GNMA Certificates, FNMA MBSs and FHLMC PCs being hereafter referred to as "Mortgage Certificates"). The guaranty of the GNMA Certificates will be backed by the full faith and credit of the United States. The FHLMC PCs will not be backed directly or indirectly by the full faith and credit of the United States but by the credit of FHLMC, a federally chartered, stockholder owned corporation. The FNMA MBSs will not be backed directly or indirectly by the full faith and credit of the United States but by the credit of FNMA, a federally chartered, stockholder owned corporation. No agreement presently exists between FNMA or FHLMC and the Corporation (and none is expected) for the acquisition of FNMA MBSs or FHLMC PCs.

MORTGAGES AND MORTGAGE SERVICING

The Mortgages

The Mortgage Loans related to the proceeds of the 2016 Bonds will be made to "qualified veterans." Currently, "qualified veteran" means any veteran (i) who served on active duty and (ii) who applied for financing before the date 25 years after the last date on which such veteran left active service. In general, and subject to certain limitations in the federal law, a person who has served on active duty in the Armed Forces and who was discharged or released therefrom under conditions other than dishonorable will qualify as a veteran. Discharge includes completion of the original period of duty. Included in the definition of veteran, in addition to those who have served on full time duty in the Army, Air Force, Navy, Marine Corps or Coast Guard, including the reserve components thereof, will be certain commissioned officers of the Public Health Service, National Oceanic and Atmospheric Administration, and Coast and Geodetic Survey and certain cadets and midshipmen.

Each of the Mortgage Loans will be a "single family" mortgage loan secured by a first mortgage lien on residential property located in the State. The term "single family" mortgage loan as used herein means a permanent loan (as opposed to a construction or land development loan) secured by a mortgage on owner occupied, one to four family units, as well as individual condominiums and other separate dwelling units even when located in buildings containing more than two units.

The Mortgage Loans may be prepaid, in whole or in part, at any time without penalty or charge. Revenues received in respect of Program Obligations, including amounts attributable to Mortgage Loan prepayments (unless transferred to the Program Obligation Fund and used to purchase additional Program Obligations), are required to be deposited in the Revenue Fund and will be applied, together with amounts available from scheduled mortgage payments, investment earnings and other revenues, to, among other things, meet annual sinking fund redemption requirements, principal maturities and special redemption of Bonds.

In purchasing the Mortgage Loans, the Corporation requires the originating institution to furnish to the Corporation the original mortgage note and a title insurance policy in an amount equal to the unpaid principal due on the mortgage. The Corporation also requires generally that all taxes, assessments and water and sewage charges have been duly paid and that a hazard insurance policy exists in an amount equal to the unpaid principal due on the mortgage.

Mortgage Servicing on Single Family Loans

The Servicers approved by the Corporation service the mortgage loan for a fee. As compensation, the Servicers service the mortgage loan for a fee that is captured from the borrower's monthly payment. The annual fee amount is generally equal to 3/8 of 1% of the unpaid balance due on such mortgage loan. These fees are payable to the Servicer from the time of loan purchase by the Corporation until the loan is paid in full or for as long as the Servicer collects the loan payments. The Corporation has adopted standards for qualifying eligible servicing institutions and underwriting and servicing guidelines with respect to the record of and collection of principal and interest on the mortgage loans and the rendering to the Corporation of an accounting of funds collected. The servicing of a mortgage loan includes the responsibility for foreclosure, but not the bearing of any expenses thereof. The Servicers are required to work with borrowers to cure any default in scheduled mortgage payments including any advances, and is required to pay from scheduled mortgage payments, taxes, assessments, levies and charges, and premiums for hazard insurance and mortgage insurance, as they may become due.

Regularly scheduled principal and interest payments on the mortgage loans are required to be deposited by the Servicers with the Corporation's correspondent bank. Such funds (net of applicable servicing fees are remitted to the Corporation's correspondent bank by the Servicer by the next business day following receipt where net collections exceed $5,000. The balance of such monthly payments, representing payments for such items as property taxes and mortgage insurance, are retained by the Seller/Servicer and applied as necessary. The funds are held in a custodial account and invested for the benefit of the Trustee pending their transfer once a month to the Trustee.

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

The Corporation reviews individual Servicer reports to ascertain the extent of mortgagor payment delinquencies and servicer processing delays in order to determine the appropriate corrective action, if any, to be taken by the Corporation through the Servicer. The Servicer is expected to maintain delinquency rates on loans owned by the Corporation at a level below or comparable with other Servicers. Under the Corporation's monitoring system, if the Servicer's delinquency rate, either in total or for a program exceeds 1.5 times the Corporation's delinquency rate for three consecutive months, the Servicer is subject to suspension from further participation in one or more of the Corporation's loan programs.

Insurance

The following description of certain mortgage insurance policies and guarantees is only a brief outline and does not purport to summarize or describe all of the provisions thereof.

Private Mortgage Insurance, FHA Insurance, and
VA, RD, and HUD-184 Guarantees

Any Purchased Mortgage Loan which has an original principal amount exceeding 80% of the value of the mortgaged property is required to be (a) insured by FHA, (b) guaranteed by VA, RD, or the Department of Housing and Urban Development ("HUD") under Section 184 of the Housing and Community Development Act of 1992 ("HUD-184"), or (c) insured under a private mortgage insurance policy in the amount (i) equal to 12% of the Mortgage Loan if the loan to value ratio is 85% or less or (ii) equal to 25% of the Mortgage Loan if the loan to value ratio is 90% or less or (iii) equal to 30% of the Mortgage Loan if the loan-to-value exceeds 90%.. The only Mortgage Loans which the Corporation is presently purchasing at a loan to value ratio which exceeds 95% are federally insured or guaranteed

Mortgage Loans. FHA insurance coverage and RD and HUD-184 guarantees will equal 100% of the outstanding principal balance of all FHA insured, RD or HUD-184 guaranteed Mortgage Loans. The RD guarantee covers the lesser of (a) any loss up to 90% of the original principal amount of the Mortgage Loan or (b) 100% of any loss up to 35% of the original principal amount of the Mortgage Loan plus 85% on any additional loss up to 65% of the principal advanced. For all VA guaranteed Mortgage Loans, the VA guarantee plus the down payment must be at least 25% of the original Mortgage Loan amount. The FHA insurance or VA guarantee are required to be maintained for the entire period during which the Corporation owns an interest in the Mortgage Loan. FHA regulations do not permit the inclusion of the "due-on-sale" provision in the form specified in the Corporation's Regulations. The private mortgage insurance policy will be maintained in force and effect (a) for the period during which the Corporation owns an interest in the Mortgage Loan or (b) until the outstanding principal amount of the Mortgage Loan is reduced to 80% of the lesser of the original appraised value of the mortgaged property or the original sale price of the mortgaged property and the loan is current. The cost of any such insurance or guarantee will be paid by the mortgagor. Streamlined Mortgage Loans will also be insured to the extent the original loan at the time of refinancing requires such insurance. No representation is made as to whether or not any Transferred Mortgage Loan satisfies any of the requirements set forth above.

In general, FHA, VA, RD, and HUD-184 regulations and private mortgage insurance contracts provide for the payment of insurance or guarantee benefits to a mortgage lender upon the failure of a mortgagor to make any payment or to perform any obligation under the insured or guaranteed mortgage loan and the continuance of such failure for a stated period. In order to receive payment of insurance or guarantee benefits, a mortgage lender, such as the Corporation, normally must acquire title to the property, either through foreclosure or conveyance in lieu of foreclosure, and convey such title to the insurer or guarantor. Alternatively, where it is determined that the default was caused by circumstances beyond the control of the mortgagor, and foreclosure or conveyance in lieu of foreclosure is completed, the Servicer files a claim for the insurance payment. In general, private mortgage insurance benefits, as limited by the amount of coverage indicated above, are based upon the unpaid principal amount of the mortgage loan at the date of institution of foreclosure proceedings or the acquisition of the property after default, as the case may be, adjusted to reflect certain payments paid or received by the mortgage lender. Where property to be conveyed to an insurer or guarantor has been damaged, it is generally required, as a condition to payment of an insurance or guarantee claim, that such property be restored to its original condition (reasonable wear and tear excepted) by the mortgage lender prior to such conveyance or assignment.

Standard Homeowner Insurance Policies

Each mortgagor will be required to maintain for the mortgaged property a standard homeowner's insurance policy must at least equal the lesser of 100% of (i) the maximum insurable value of the mortgaged property or (ii) the unpaid principal amount of the mortgage loan. The insurance policy will be written by an insurance company qualified to do business in the State of Alaska and qualified to provide insurance on or in connection with mortgages purchased by FHLMC or FNMA. The mortgagor will pay the cost of the standard homeowner insurance policy.

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

Historical Veterans Mortgage Program Data

As of May 31, 2016, there were Pledged Mortgage Loans with an outstanding aggregate principal balance of approximately $48,817,136, with a weighted average yield of approximately 5.135% per annum, with a weighted average mortgage loan coupon rate to the borrower of approximately 4.697% per annum and a weighted average remaining term of approximately 280 months.

The following information is based on the Corporation's total portfolios of the types of loans described therein. It should not be regarded as indicative of the final composition of the Program Obligation portfolio.

The following tables show the property types, insurance types, property locations, and interest rates applicable to the Mortgage Loans pledged under the Indenture as of the date of origination for loans outstanding as of May 31, 2016. No representation is made as to the current loan-to-value ratios of these loans.

Pledged Mortgage Loans Dwelling Type

Property Type	Outstanding Principal Balance	Percentage by Principal Balance
Single-Family Dwellings	$44,676,921	91.5%
Condominiums	2,367,115	4.9
2-4 Unit Dwellings	1,773,100	3.6
TOTAL	$48,817,136	100%

Pledged Mortgage Loans Primary Insurance

Insurance Type	Outstanding Principal Balance	Percentage by Principal Balance
Federally Insured – VA	$42,616,202	87.3%
Uninsured	4,692,117	9.6
Private Mortgage Insurance	754,606	1.5
Federally Insured – FHA	372,056	0.8
Federally Insured – HUD 184	220,339	0.5
Federally Insured – RD	161,816	0.3
TOTAL	$48,817,136	100.0%

Pledged Mortgage Loans Geographic Distribution

Property Location	Outstanding Principal Balance	Percentage by Principal Balance
Fairbanks/North Pole	$18,064,694	37.0%
Wasilla/Palmer	11,732,379	24.0
Anchorage	7,157,768	14.7
Eagle River/Chugiak	6,536,173	13.4
Kodiak Island	1,786,089	3.7
Juneau/Ketchikan	828,349	1.7
Kenai/Soldotna/Homer	162,181	0.3
Other Geographic Region	2,549,503	5.2
TOTAL	$48,817,136	100.0%

Purchased Mortgage Loans Data

As of May 31, 2016, there were Purchased Mortgage Loans with an outstanding aggregate principal balance of $9,262,988, bearing interest at a weighted average yield of approximately 4.148% per annum, with a weighted average mortgage loan coupon rate to the borrower of approximately 3.798% per annum and a weighted average remaining term of 344 months.

The following tables show the property types, insurance types, property locations, and applicable to the Mortgage Loans already purchased by the Corporation and available for funding with the proceeds of the 2016 Bonds, but not presently pledged under the Indenture described as the initial portfolio. No proceeds of previously issued Bonds remain unexpended for the purchase of Mortgage Loans.

Purchased Mortgage Loans Dwelling Type

Property Type	Outstanding Principal Balance	Percentage by Principal Balance
Single-Family Dwellings	$8,392,600	90.6%
Condominiums	599,021	6.5
2-4 Unit Dwelling	271,367	2.9
TOTAL	$9,262,988	100.0%

Purchased Mortgage Loans Primary Insurance

Insurance Type	Outstanding Principal Balance	Percentage by Principal Balance
Federally Insured – VA	$6,444,630	69.6%
Uninsured	1,867,214	20.2
Private Mortgage Insurance	951,144	10.2
Federally Insured – FHA	0	0.0
Federally Insured – HUD 184	0	0.0
Federally Insured – RD	0	0.0
TOTAL	$9,262,988	100.0%

Purchased Mortgage Loans Geographic Distribution

Property Location	Outstanding Principal Balance	Percentage by Principal Balance
Anchorage	$2,196,897	23.7%
Fairbanks/North Pole	2,126,613	23.0
Wasilla/Palmer	1,955,915	21.1
Eagle River/Chugiak	968,243	10.5
Juneau/Ketchikan	550,279	5.9
Kenai/Soldotna/Homer	205,180	2.2
Kodiak Island	0	0.0
Other Geographic Region	1,259,861	13.6
TOTAL	$9,262,988	100.0%

Transferred Mortgage Loans

As of May 31, 2016, there were Transferred Mortgage Loans with an outstanding aggregate principal balance of $32,291,341, bearing interest at a weighted average yield of approximately 4.657% per annum, with a weighted average mortgage loan coupon rate to the borrower of approximately 4.695% per annum and a weighted average remaining term of 277 months. The Corporation expects to transfer substantially all of the Transferred Mortgage Loans to the Indenture. However, the aggregate principal balance of such loans transferred to the Indenture will be reduced by principal prepayments and scheduled principal repayments received prior to such transfer.

The following tables show the property types, insurance types, property locations, and applicable to the Mortgage Loans presently pledged under the Indenture and expected to be transferred to the 2016 Bonds upon issuance. No representation is made as to the current status of primary mortgage insurance coverage or loan-to-value ratios of these loans.

Transferred Mortgage Loans Dwelling Type

Property Type	Outstanding Principal Balance	Percentage by Principal Balance
Single-Family Dwellings	$29,711,130	92.0%
Condominiums	1,543,863	4.8
2-4 Unit Dwelling	1,036,348	3.2
TOTAL	$32,291,341	100.0%

Transferred Mortgage Loans Primary Insurance

Insurance Type	Outstanding Principal Balance	Percentage by Principal Balance
Federally Insured – VA	$28,065,349	86.9%
Uninsured	3,332,903	10.3
Private Mortgage Insurance	521,033	1.6
Federally Insured – FHA	372,056	1.2
Federally Insured – HUD 184	0	0.0
Federally Insured – RD	0	0.0
TOTAL	$32,291,341	100.0%

Transferred Mortgage Loans Geographic Distribution

Property Location	Outstanding Principal Balance	Percentage by Principal Balance
Fairbanks/North Pole	$12,814,655	39.7%
Wasilla/Palmer	7,722,191	23.9
Anchorage	4,704,451	14.6
Eagle River/Chugiak	3,850,492	11.9
Kodiak Island	1,005,608	3.1
Juneau/Ketchikan	511,002	1.6
Kenai/Soldotna/Homer	0	0.0
Other Geographic Region	1,682,942	5.2
TOTAL	$32,291,341	100.0%

CERTAIN LEGAL ASPECTS OF THE MORTGAGE LOANS

Pledge of Mortgage Loans

The form of assignment to the Corporation of each mortgage deed of trust relating to Mortgage Loans purchased from the proceeds of the Bonds or originated from surplus revenues will expressly recite the interest of the Trustee on behalf of the holders of outstanding bonds of the Corporation in the mortgaged property. That assignment will be recorded with the appropriate real property recording office for the jurisdiction in which the property is located. The Indenture pledges to the Trustee and the holders of the Bonds, the Mortgage Loans, Deeds of Trust, Pledged Revenues and any and all assets held in any fund or account under the Indenture. Section 18.56.120 of the Act provides that such a pledge is valid and binding from the time the pledge is made and, further, that any assets or revenues so pledged are immediately subject to the lien of the pledge without physical delivery or any further act and without regard to whether any third party has notice of the lien of the pledge. Physical custody of each mortgage note is retained by the Corporation and the related deed of trust is retained by the originating lending institution. Notwithstanding the fact that the Trustee does not have physical possession of those instruments, and while Bond Counsel is unaware of any controlling judicial precedent, it is the opinion of Bond Counsel that the effect of (i) recording the assignment in the form described, (ii) execution and delivery of the Indenture and (iii) the statutory provisions referred to above afford the Trustee (on behalf of holders of Bonds of the Corporation) priority as against any competing claimants alleging any financial interest in the Mortgage Loans which have been so assigned.

Alaska Foreclosure Laws

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

Summary foreclosure may be used if provided for in the deed of trust. All deeds of trust securing loans to be funded from the proceeds of the Bonds contain provisions which permit summary foreclosure. Following a default by the trustor, upon request of the beneficiary and not less than three months before the sale, the trustee must record a notice of default in the recording district in which the property is located.

Within 10 days after recording the notice of default, the trustee must mail a copy of the notice of default to the trustor, any successors in interest to the trustor, anyone in possession or occupying the property, and anyone who has an interest subsequent to the interest of the trustee in the deed of trust. If the default may be cured by the payment of money, the trustor may cure the default at any time prior to sale by payment of the sum in default without acceleration of the principal which would not then be due in the absence of default, plus actual costs and attorney's fees due to the default. If default has been cured under the same deed of trust after notice of default two or more times, the trustee may elect to refuse payment and continue the foreclosure proceeding to sale. Notice of the sale must be posted in three public places within five miles of where the sale is to be held, not less than 30 days before the day of sale and by publishing a copy of the notice four times, once a week for four successive weeks, in a newspaper of general circulation published nearest the place of sale. The sale must be made at public auction at a courthouse of the superior court in the judicial district where the property is located, unless the deed of trust provides for a different place. After the sale, an affidavit of mailing the notice of default and an affidavit of publication of the notice must be recorded in the recording district where the property is located. The foreclosure sale and conveyance transfers all the title and interest which the trustor had in the property sold at the time of the execution of the deed of trust plus all interest the trustor may have acquired before the sale and extinguishes all junior liens. There is no right of redemption unless otherwise provided by the deed of trust. A deficiency judgment is prohibited where summary foreclosure is utilized.

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

ASSUMPTIONS REGARDING THE 2016 BONDS STRUCTURE

The Corporation will use 2016 Bond proceeds and, subsequent to refunding the Refunded Obligations, any transferred proceeds from such refunding to purchase Program Obligations which, together with investment earnings thereon, are expected to be sufficient to pay the debt service on the 2016 Bonds. The Program Obligations consisting of Mortgage Certificates and Mortgage Loans are expected to provide for level monthly payments of principal and interest.

The Corporation has determined that it may reduce its future financing requirements by hereafter acquiring Mortgage Loans or other Program Obligations representing new Mortgage Loans from revenues which are expected to be generated primarily from repayments and prepayments of principal on Mortgage Loans represented by (or held directly as) Program Obligations. The Indenture requires that all such excess revenues be used either to redeem Bonds or purchase Program Obligations upon delivery to the Trustee of the Bond Coverage Certificate. The 2016 Bonds have been structured to mature no later than December 1, 2046, in order to permit the Corporation to acquire future Program Obligations through recycling of loan repayments and prepayments. However, should the Corporation elect not to recycle, it is expected that a substantial portion of the 2016 Bonds would be redeemed prior to their scheduled maturity. The Corporation's election to purchase new Program Obligations will depend on various factors not now determinable, including the level of future interest rates and the availability of tax-exempt financing.

Upon each purchase of new Program Obligations, the Corporation will deliver to the Trustee a Bond Coverage Certificate which is designed to determine that, using various assumptions as to prepayments of principal and interest on such Program Obligations and investment earnings thereon at assumed rates, revenues will be sufficient to pay the principal and interest on the Bonds. The Corporation may in the future use a method of calculation other than the method specified in the Indenture if the new method will not cause any bond rating agency (which the Corporation has requested issue a rating on the Bonds) to lower or withdraw the ratings it has assigned to the Bonds.

Upon each purchase of new Mortgage Loans not exchanged for Mortgage Certificates, the Corporation will deliver to the Trustee a certification to the effect that the Over Collateralization Requirement established with respect to the proposed delivery of such Mortgage Loans has been satisfied through the contribution by the Corporation of additional Program Obligations, Investment Securities or funds to the OCR Fund. The Over Collateralization Requirement established with respect to a delivery of Mortgage Loans not exchanged for Mortgage Certificates will vary as a percentage of such Mortgage Loans to be acquired based upon the mix of particular mortgage loan characteristics including loan to value ratio, type and amount of mortgage insurance and property type. The Corporation may be required to deliver additional Program Obligations, Investment Securities or funds to the OCR Fund in an amount equal to the Over Collateralization Requirement each time the Trustee disburses Bond proceeds to acquire Mortgage Loans not exchanged for Mortgage Certificates. The OCR Fund was established to mitigate potential losses, if any, on Mortgage Loans that have not been converted to Mortgage Certificates, but will only be used to supplement revenues in the event that funds on deposit in the Revenue Fund and the Redemption Fund are insufficient to meet a Debt Service Payment on the Bonds. The Corporation may in the future use a different method of satisfying the Over Collateralization Requirement or change the method of calculation thereof if such difference or change will not adversely affect the current ratings assigned to the Bonds without regard to bond insurance or any other form of credit enhancement by any bond rating agency (which the Corporation has requested issue a rating on the Bonds).

A number of factors, including general economic conditions, changing mortgage market interest rates and homeowner mobility, will affect the prepayment experience with respect to the Mortgage Loans pledged to secure the Bonds and, therefore, the average life of the 2016 Bonds. Among the principal other factors which could affect the average life of the 2016 Bonds are:

(a) The refinancing of Mortgage Loans currently held by the Corporation may continue to represent a substantial future activity. Refinancing may involve the prepayment of outstanding Mortgage Loans and the possible redemption of Bonds at par or prepayment of bonds and notes originally issued to finance the purchase of the Mortgage Loans. Accordingly, prepayment of the Mortgage Loans securing the Bonds could result from future refinancing programs offered by the Corporation. Conversely, if the Corporation's refinancing program were to cease, prepayments of the Corporation's Mortgage Loans might decline significantly.

(b) Mortgage Loan delinquencies can lead to foreclosures that result in prepayments. At May 31, 2016, approximately 7.94% of the Corporation's Pledged Mortgage Loans were reported as delinquent or in foreclosure. The Corporation foreclosed on $393,146 of Pledged Mortgage Loans in the 11 months ended May 31, 2016. In view of the time required to complete foreclosure proceedings and other uncertainties inherent in the foreclosure process, such delinquencies and foreclosures will not necessarily result in a rapid prepayment of the Mortgage Loans.

(c) Provisions of the current form of a Mortgage Loan financed by the Corporation permitting the assumption of such loans by eligible mortgagors will affect the Corporation's prepayment experience. When a mortgage loan is assumed by the purchaser of the related property, the existing mortgage loan is not prepaid. Future changes in this form may also affect its prepayment experience.

(d) The Indenture permits the Corporation to deliver a variety of Program Obligations, including but not limited to Mortgage Loans and Mortgage Certificates. The new Program Obligations may have original terms ranging from not less than 15 years to not more than 30 years. Existing Program Obligations may have shorter remaining terms. Shorter loan terms may result in a shorter average life of the 2016 Bonds than if the 2016 Bonds were secured exclusively by new Program Obligations representing 30-year Mortgage Loans.

(e) The Corporation retired veterans program debt obligations from excess revenues (including prepayments of the principal on Mortgage Loans), prior to their stated maturity, in the following amounts for the time periods indicated: during the 11 months ended May 31, 2016, $10,600,000.

(f) There is no assurance that Program Obligations will be purchased within the estimated time, and if they are not purchased, a certain amount of unexpended moneys may be used to redeem the 2016 Bonds.

For these reasons, the Corporation cannot offer any assurances as to the rate at which Mortgage Loans will be acquired from 2016 Bond proceeds, the rate at which such Mortgage Loans will be prepaid, sold or assigned or the rate at which the Corporation may acquire new Mortgage Loans or other Program Obligations during the life of the Bond issue.

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; and the Corporation's $60,250,000 State Capital Project Bonds, 2002 Series C.

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—Dividend to the State of Alaska" below was obtained from the May 2016 Mortgage and Bond Disclosure Report of the Corporation and the audited financial statements of the Corporation as of and for the year ended June 30, 2015. Copies of such financial statements and disclosure report may be obtained upon request from the Corporation. The Corporation's main office is located at 4300 Boniface Parkway, Anchorage, Alaska 99504, and its telephone number is (907) 338-6100. Electronic versions of the financial statements and disclosure reports are available at the Corporation's website.

Board of Directors, Staff and Organization

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

Name	Location
Mr. Brent Levalley Chair	Retired Fairbanks, Alaska
Mr. Marty Shuravloff Vice-Chair	Executive Director Kodiak Island Housing Authority Kodiak, Alaska
Ms. Carol Gore	President/CEO Cook Inlet Housing Authority Anchorage, Alaska
Mr. Alan Wilson	President Alaska Renovators, Inc.

Juneau, Alaska

Mr. Randall Hoffbeck
Commissioner
Alaska Department of Revenue

Mr. Jerry Burnett (designee)
Deputy Commissioner
Alaska Department of Revenue
Juneau, Alaska

Ms. Valerie Davidson
Commissioner
Alaska Department of Health and Social Services

Ms. Tara Horton (designee)
Special Assistant to the Commissioner
Alaska Department of Health and Social Services
Juneau, Alaska

Mr. Chris Hladick
Commissioner
Alaska Department of Commerce, Community, and Economic Development

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:

Bryan D. Butcher - Chief Executive Officer/Executive Director. Mr. Butcher rejoined the Corporation on August 7, 2013. Prior to his appointment as Chief Executive Officer/Executive Director, Mr. Butcher served as Commissioner of the Alaska Department of Revenue from January 2011 to August 2013, as the Corporation's director of governmental relations and public affairs from 2003 to 2011, and as a senior aide to the House and Senate Finance Committees of the Alaska Legislature for 12 years. Mr. Butcher holds a Bachelor of Science degree from the University of Oregon.

Mark Romick - Acting Deputy Executive Director. Mr. Romick has been with the Corporation since July 1992 and previously served as the Director of Planning and Program Development. He previously worked for the Alaska State Housing Authority and the Alaska Housing Market Council. Mr. Romick holds a Master's degree in Economics from the University of Alaska.

Michael L. Strand - Chief Financial Officer/Finance Director. 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 - Senior Finance Officer. Mr. Deta has been with the Corporation since 2001, and previously served as Finance Officer and Financial Analyst II. Prior to joining the Corporation, he served as an auditor with Deloitte & Touche LLP. Mr. Deta is 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 May 31, 2016:

Bond Series	**Amount Outstanding**	**Liquidity Provider (or Self-Liquidity)**	**Facility Expiration Date**
Governmental Purpose Bonds, 1997 Series A	$ 14,600,000	Self-Liquidity	NA†
Governmental Purpose Bonds, 2001 Series A and B	110,895,000	Self-Liquidity	NA†
Home Mortgage Revenue Bonds, 2002 Series A	79,060,000	JPMorgan Chase Bank, N.A.	December 9, 2016
State Capital Project Bonds, 2002 Series C	40,420,000	Self-Liquidity	NA†
Home Mortgage Revenue Bonds, 2007 Series A, B and D	239,370,000	Landesbank Baden- Wurttemberg	May 30, 2017
Home Mortgage Revenue Bonds, 2009 Series A	80,880,000	The Bank of Tokyo Mitsubishi UFJ, Ltd.	June 28, 2019
Home Mortgage Revenue Bonds, 2009 Series B	80,880,000	Wells Fargo Bank, N.A.	January 11, 2019
Home Mortgage Revenue Bonds, 2009 Series D	80,870,000	Bank of America, N.A.	August 24, 2017
	$726,975,000		

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

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

Mortgage Revenue Bonds. 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.

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.

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 May 31, 2016, regarding bonds issued under the above-described financing programs:

Bonds Issued and Remaining Outstanding by Program

Bond Program	**Issued through 5/31/2016**	**Issued during Eleven Months Ended 5/31/2016**	**Outstanding as of 5/31/2016**
Home Mortgage Revenue Bonds	$ 1,262,675,000	$ 0	$ 561,060,000
Mortgage Revenue Bonds	1,449,010,353†	0	267,215,000
State Capital Project Bonds	680,190,000	0	149,545,000
State Capital Project Bonds II	889,150,000	55,620,000	824,900,000
General Mortgage Revenue Bonds II	195,890,000	0	125,300,000
Governmental Purpose Bonds	973,170,000	0	125,495,000
Veterans Collateralized Bonds	1,900,385,000	0	135,000
Other Bonds	10,937,173,769	0	0
Total Bonds	$ 18,287,644,122	$ 55,620,000	$ 2,099,650,000

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

Summary of Bonds Issued and Remaining Outstanding Issued through

	Issued through 5/31/2016	Issued during Eleven Months Ended 5/31/2016	Outstanding as of 5/31/2016
Tax-Exempt Bonds	$13,462,384,122†	$55,620,000	$1,902,665,000
Taxable Bonds	4,825,260,000		196,635,000
Total Bonds	$18,287,644,122	$55,620,000	$2,099,650,000
Self-Liquidity Bonds‡	$ 744,620,000	$ 0	$ 165,915,000

† 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.

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

TBA Markets. From time to time, in lieu of utilizing the proceeds of bond issues to finance certain federally insured or guaranteed mortgage loans, the Corporation pools those mortgage loans into GNMA Mortgage-Backed Securities and sells the securities into the national TBA ("To Be Announced") future delivery market.

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.

In addition to the lending programs described below, the Corporation has committed to make a loan of up to $127,540,000 for the construction and rehabilitation of rental housing on two United States Army bases in the State, Fort Wainwright and Fort Greely, bearing interest at a rate of 8% per annum and amortizing over a 40-year term, of which $50,000,000 was funded on November 20, 2013 and the remainder is to be funded in up to two additional stages prior to the end of April 2018. The Corporation is currently renegotiating the terms of this commitment, with potential changes including extension of the final draw deadline and prepayment lockout period, a small increase of the loan amount, a possible decrease in the interest rate, and release of certain collateral.

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 calculated cost of funds 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 nonconforming 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 May 31, 2016, regarding the mortgage loans financed under the above-described lending programs:

Mortgage Purchases by Program

Loan Program	**Original Principal Balance of Mortgage Loans Purchased during FY 2015**	**Original Principal Balance of Mortgage Loans Purchased during the Eleven Months Ended 5/31/2016**
Taxable Other	$192,842,410	$214,748,665
Tax-Exempt First-Time Homebuyer	79,386,505	65,660,908
Taxable First-Time Homebuyer	93,777,952	79,380,609
Multi-Family and Special Needs	31,515,700	38,906,050
Rural	58,246,746	55,029,802
Veterans Mortgage Program	7,077,431	7,042,102
Total Mortgage Purchases	$462,846,744	$460,768,136

Percentage of Original Principal Balance of Total Mortgage Purchases during Period Representing Streamline Refinance Loans	1.6%	1.6%

Mortgage Portfolio Summary

	As of 6/30/2015	**As of 5/31/2016**
Mortgages and Participation Loans	$2,642,878,467	$2,786,148,204
Real Estate Owned and Insurance Receivables	6,368,530	7,852,276
Total Mortgage Portfolio	$2,649,246,997	$2,794,000,480

Mortgage Insurance Summary†

Type	**Outstanding Principal Balance as of 5/31/2016**	**Percentage of Total Mortgage Loans by Outstanding Principal Balance**
Uninsured††	$1,351,423,439	48.6%
Private Mortgage Insurance†††	632,767,055	22.7
Federally Insured – FHA	315,510,405	11.3
Federally Insured – VA	184,760,112	6.6
Federally Insured – RD	152,944,948	5.5
Federally Insured – HUD 184	148,742,245	5.3
TOTAL	$2,786,148,204	100.0%

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

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

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

PMI Provider	Outstanding Principal Balance as of 5/31/2016	Percentage of Total Mortgage Loans by Outstanding Principal Balance
Radian Guaranty	$218,316,175	7.9%
CMG Mortgage Insurance	143,051,794	5.1
Mortgage Guaranty	93,791,268	3.4
Essent Guaranty	88,946,384	3.2
United Guaranty	47,296,536	1.7
Genworth GE	31,846,462	1.1
PMI Mortgage Insurance	7,865,957	0.3
National Mortgage Insurance	851,433	0.0
Commonwealth	801,046	0.0
TOTAL	$632,767,055	22.7%

Mortgage Delinquency and Foreclosure Summary

	As of 6/30/2015	As of 5/31/2016
Delinquent 30 Days	2.21%	1.93%
Delinquent 60 Days	0.71%	0.88%
Delinquent 90 Days or More	0.96%	0.84%
Total Mortgage Delinquency	3.88%	3.65%

	Twelve Months Ended 6/30/2015	Ten Months Ended 5/31/2016
Total Foreclosures	$11,633,173	$6,342,126

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 position of the Corporation for each of its five most recent fiscal years, which have been derived from Note 26 to the Corporation's audited annual financial statements dated June 30, 2015, contained in Appendix A — "Financial Statements of the Corporation."

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

	Fiscal Year Ended June 30				
	2015	**2014**	**2013**	**2012**	**2011**
Total Assets and Deferred Outflows	$3,916,302	$4,055,203	$3,981,230	$4,288,648	$4,542,040
Total Liabilities and Deferred Inflows	2,430,821	2,545,295	2,455,702	2,734,505	2,948,221
Total Net Position	1,485,481	1,509,908	1,525,528	1,554,143	1,593,819
Total Operating Revenues	290,099	308,086	315,325	351,178	385,695
Total Operating Expenses	281,594	311,471	333,220	381,647	398,606
Operating Income (Loss)	8,505	(3,385)	(17,895)	(30,469)	(12,911)
Contribution to State or State agency	(3,825)	(1,380)	(10,720)	(9,207)	(20,349)
Special Item	0	0	0	0	3,088
Change in Net Position	$ 4,680	$ (4,765)	$ (28,615)	$ (39,676)	$ (30,172)

Legislative Activity/Transfers to the State

Prior Transfers to the State

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

The Current Transfer Plan

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

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

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

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

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

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

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

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

> (i) the lesser of (A) $103,000,000 and (B) the respective percentage of adjusted change in net assets for the fiscal year two years prior thereto (the "base fiscal year") for such fiscal year set forth in the table below, less
>
> (ii) debt service on certain State Capital Project Bonds, less
>
> (iii) any legislative appropriation of the Corporation's unrestricted, unencumbered funds other than appropriations for the Corporation's operating budget.

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

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

Dividend to the State of Alaska

Following are the details of the Corporation's dividend to the State as of June 30, 2015 (in thousands).

	Dividend Due to State	Expenditures	Remaining Commitments
State General Fund Transfers	$ 788,921	$ (788,921)	$ -
State Capital Projects Debt Service	422,438	(412,071)	10,367
State of Alaska Capital Projects	253,761	(249,011)	4,750
Corporation Capital Projects	466,112	(434,731)	31,381
Total	$1,931,232	$(1,884,734)	$46,498

Corporation Budget Legislation

The Corporation's fiscal year 2016 operating budget was approved by the Legislature with a 3% reduction in corporate receipts from the amount submitted during the fiscal year 2015 legislative session. Consistent with the Transfer Plan, the enacted fiscal year 2016 operating budget estimated that $19,058,700 would be available from the adjusted change in net position 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.

DESCRIPTION OF THE INDENTURE

Following is a summary of certain provisions of the Indenture. It is not comprehensive. Reference should be made to the full text of the Indenture.

All capitalized terms hereinafter used under this caption have the same meanings as in the Indenture if not otherwise defined herein.

Certain Amendments

Consent to Indenture Amendments

The 2016 Supplemental Indenture provides that, by its purchase of 2016 Bonds on the delivery date, each purchaser thereof consents to and approves the execution of the 2016 Supplemental Indenture, which includes the amendments to the Indenture described immediately below.

Indenture Amendments

The 2016 Supplemental Indenture amends the Indenture as follows (such amendments are reflected in this Official Statement as they will be in effect on the first date on which no Bond that was Outstanding on the effective date of the 2016 Supplemental Indenture, not including any of the 2016 Bonds, remains Outstanding, which date the Corporation expects to be the date of the issuance and delivery of the 2016 Bonds): to amend the definition of "Ratings Agencies" to mean 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.

Certain Definitions

"*Bondholder*" or "*holder*" or words of similar import, when used with reference to a Bond or Bonds, shall mean any person who shall be the bearer of any Outstanding Bond or Bonds registered to bearer or not registered, or the registered owner of any Outstanding Bond or Bonds at the time registered other than to bearer.

"*Bond Proceeds Account*" shall mean, for any Series, the Bond Proceeds Account established within the Program Obligation Fund for such Series.

"*Certificate*" shall mean a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined by an authorized officer pursuant to the Indenture; every certificate of the Corporation with respect to compliance with any agreement, condition, covenant or term contained in the Indenture shall include (1) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions in the Indenture relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, such person has made or caused to be made such examination or investigation as is necessary to enable such person to express an informed opinion with respect to the subject matter referred to in the instrument to which such person's signature is affixed; and (4) a statement as to whether, in the opinion of such person, the Corporation has complied with such provision.

"*Counsel's Opinion*" shall mean an unqualified opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to state and municipal financing (who may be counsel to the Corporation) selected by the Corporation.

"*Credit Enhancement*" shall mean a letter of credit, a line of credit, a credit facility, a surety bond, bond insurance, or any other instrument or arrangement obtained in connection with the issuance of a Series of Bonds to further secure the payment of principal and interest of the Bonds of such Series but does not include any Liquidity Facility.

"*Credit Enhancement Fund*" shall mean a Fund or Account authorized to be created by the Corporation pursuant to a Supplemental Indenture authorizing the issuance of a Series of Bonds for the purposes of holding and disbursing the proceeds of, or holding only, Credit Enhancement securing such Series.

"*Debt Service Payment*" shall mean any scheduled payment of principal of or interest on Bonds and any payment of the Redemption Price of and accrued interest on any Bonds that are redeemed.

"*Debt Service Payment Date*" shall mean any date on which any Debt Service Payment shall be due, including any redemption date for any Bonds.

"*Eligible Funds*" shall mean (1) any Pledged Revenues and Bond proceeds, (2) any moneys or Investment Securities which are not the proceeds of the Bonds and which are at any time on deposit in any Fund other than the Debt Service Account and the OCR Fund and (3) any moneys, Investment Securities or other assets on deposit in the Debt Service Account but excluding any amounts that may be received pursuant to the guaranty of the Bonds by the State of Alaska. Notwithstanding the above, moneys, Investment Securities or other assets that are not (i) Pledged Revenues, (ii) Bonds proceeds or (iii) contributions by the Corporation shall not be "Eligible Funds" until such moneys, Investment Securities or other assets shall have been on deposit hereunder for at least 93 days during which no proceeding by or against the payer of such moneys, Investment Securities or other assets shall have been commenced under the United States Bankruptcy Code or successor statute.

"*General Account*" shall mean, for any Series, the General Account established within the Redemption Fund for such Series.

"*Interest Payment Date*" shall mean, for any Series, any date upon which interest on the Bonds of such Series is payable in accordance with their terms and the terms of the Master Indenture or the Supplemental Indenture authorizing the issuance of such Series. "*Interest Payment Date*" for the 2016 Bonds shall mean each June 1 and each December 1, commencing December 1, 2016.

"*Investment Agreement*" shall mean a guaranteed investment contract which may be entered into among the Corporation or the Trustee and any corporation (including the Trustee) meeting the requirements established in the Indenture.

"*Liquidity Facility*" shall mean an agreement or other instrument or arrangement to further secure the payment of the purchase price of any Bonds in connection with a tender of such Bonds pursuant to the terms thereof and the terms of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

"*Liquidity Facility Fund*" shall mean a Fund or Account authorized to be created by the Trustee pursuant to a Supplemental Indenture authorizing the issuance of a Series of Bonds for the purposes of holding and disbursing the proceeds of, or holding only, a Liquidity Facility relating to such Series.

"*Minimum Debt Service Account Requirement*" shall mean 2% of the outstanding aggregate principal balance of the Mortgage Loans excluding Mortgage Loans that have been exchanged for Mortgage Certificates.

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

(a) Any Bonds canceled by the Corporation or the Trustee at or prior to such date;

(b) Bonds (or portions of Bonds) for the payment or redemption of which there shall be held in trust hereunder and set aside moneys or Investment Securities that are either direct obligations of the United States or of agencies or instrumentalities thereof that are guaranteed by the United States, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited at the same time, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date (whether at or prior to the maturity or redemption date) and, if such Bonds are to be redeemed, for which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

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

(d) Bonds deemed to have been paid as provided in the Indenture.

"*Over Collateralization Requirement*" shall mean the "OCR" as set forth in the Indenture.

"*Pledged Program Obligation*" shall mean all Pledged Mortgage Loans and Pledged Mortgage Certificates and all other Program Obligations acquired with amounts disbursed pursuant to the Indenture.

"*Pledged Revenues*" shall mean (i) all payments of principal of and interest on Pledged Program Obligations immediately upon receipt thereof by the Corporation or any Depository or the Trustee (including payments representing prepayments of Mortgage Loans and any payments received from FNMA pursuant to its guarantee of the FNMA MBSs and from GNMA pursuant to its guarantee of the GNMA Certificates and from FHLMC pursuant to its guarantee of the FHLMC Certificates) and all other net proceeds of such Pledged Program Obligations, and (ii) amounts required to be deposited as Pledged Revenues pursuant to the Indenture.

"*Program Expenses*" shall mean all the Corporation's expenses in carrying out and administering the Program and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, insurance premiums, legal, accounting, management, consulting and banking services and expenses, the fees and expenses of the Trustee, any Credit Enhancement Agency, any Liquidity Facility Provider, the Depositories and the Paying Agents, Costs of Issuance not paid from proceeds of Bonds, and payments for pension, retirement, health and hospitalization and life and disability insurance benefits, all to the extent properly allocable to the Program.

"*Rating Agencies*" shall mean any of the following which, at the time of consideration, provides a published rating for the Bonds: Moody's Investors Service Inc., Standard & Poor's Ratings Group, Fitch Ratings, and any other national securities rating service requested by the Corporation to rate the Bonds, provided that on the first date on which no Bond that was Outstanding on the effective date of the 2016 Supplemental Indenture, not including any of the 2016 Bonds, remains Outstanding, "Rating Agencies" shall mean 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.

"*Record Date*" shall mean the twentieth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day, for the 2016 Bonds.

"*Redemption Price*" shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond or the Indenture or any Supplemental Indenture.

"*Series*" shall mean all the Bonds authenticated and delivered on original issuance pursuant to a Supplemental Indenture and designated as a Series therein and any Bonds thereafter authenticated and delivered upon the transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture, regardless of variations in maturity, interest rate, Sinking Fund Payments, or other provisions. Except as otherwise provided in the 2016 Supplemental Indenture, the 2016 Bonds are a "Series" for the purposes of the definition of such term in the Indenture.

"*Sinking Fund Payment*" shall mean, as of any particular date of calculation and with respect to the Outstanding Bonds of any Series, the amount required to be paid at all events by the Corporation on a single future date for the retirement of Bonds of such Series which mature after said future date, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

"*Supplemental Indenture*" shall mean an indenture supplemental to or amendatory of the Indenture, adopted by the Corporation and effective as provided in the Indenture.

Guaranty by the State

The following statement in the form set forth below will be on each Bond and constitutes the unconditional guaranty by the State of the payment of the principal and interest on the Bond according to its terms:

> The payment of this Bond as to principal and interest according to its terms is hereby unconditionally guaranteed by the State of Alaska. The full faith, credit and resources of the State of Alaska are pledged to the payment of the principal and interest on this Bond, and the principal and interest on this Bond are secured by the general obligation of the State of Alaska.

Revenues

The Corporation will establish a Revenue Fund for the 2016 Bonds. The Revenue Fund will have the following accounts:

Interest Account
Debt Service Account
Capitalized Interest Account
Recycling Account.

The Corporation will establish a Redemption Fund for the 2016 Bonds. The Redemption Fund will have the following accounts:

Principal Account
Operating Account
General Account.

The Trustee will distribute and apply the Pledged Revenues in the following order of priorities:

> FIRST, to the Interest Account of the Revenue Fund the amount required, together with other amounts on deposit in the Interest Account, to pay the interest on any Series of Bonds on the next Interest Payment Date or to reimburse any amounts drawn for such purpose under any Credit Enhancement or Liquidity Facility. The Trustee will apply funds in the Interest Account to payment of interest on such Bonds or to make such reimbursement on the due dates.

SECOND, to the Redemption Fund the remaining Pledged Revenues. The Trustee will deposit and apply the funds in the Redemption Fund as follows: to the Principal Account the amount necessary to pay all Principal Installments for each Series of Bonds Outstanding coming due on the next Principal Installment date for each Series; to the Debt Service Account, the amount required, if any, to increase the balance to the Minimum Debt Service Account Requirement; to the Operating Account, the amount required to pay or reimburse the Corporation for the payment of Program Expenses, but in no event may such amount in any semi-annual interest period exceed .055% of the outstanding principal balance of the Program Obligations held in the Program Obligation Fund as of the date of determination as determined by the Corporation; and to the General Account, together with certain other amounts to be deposited in the General Account pursuant to the Indenture, for application to the special redemption of the Bonds pursuant to the provisions of the Supplemental Indenture authorizing the issuance of such Bonds, except that under certain circumstances the Corporation may direct these amounts to be transferred to the Recycling Account of the Program Obligation Fund.

The Corporation may establish an OCR Fund in order to meet the Over Collateralization Requirement with respect to Mortgage Loans not exchanged for Mortgage Certificates that are to be deposited in the Program Obligation Fund.

If three Business Days preceding any Interest Payment Date the amount on deposit, or to be deposited on such Interest Payment Date, in the Interest Account of the Revenue Fund and the Principal Account and the General Account of the Redemption Fund shall be less than the amount required to pay interest, principal or Sinking Fund Payments on the Bonds of any Series on such Interest Payment Date, any such deficiency shall be immediately satisfied with a transfer of Eligible Funds from the Debt Service Account to the applicable Account, or, if insufficient, by a deposit to the applicable Account of any other funds of the Corporation available therefor, including amounts available in the OCR Fund.

Issuance of Additional Bonds

The Master Indenture authorizes additional bonds to be issued from time to time, subject to the terms, conditions and limitations set forth therein. The additional bonds are to be executed by the Corporation and delivered to the Trustee for authentication and delivery only upon receipt by the Trustee of:

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

(b) a written order as to the authentication and delivery of such additional bonds;

(c) executed counterparts of the Master Indenture;

(d) an executed original of the Supplemental Indenture authorizing such Series;

(e) the amount of proceeds of such Series to be deposited in any Fund or Account;

(f) a Certificate of an Authorized Officer stating that the Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture;

(g) a Bond Coverage Certificate;

(h) written verification from the Rating Agencies that the issuance of such Series of Bonds will not, in and of itself, cause a withdrawal or reduction in the rating assigned by the Rating Agencies to any Outstanding Bonds of any prior Series;

(i) if such Series of Bonds is to have the benefit of a Liquidity Facility or be secured by Credit Enhancement, the executed Liquidity Facility or Credit Enhancement or evidence that all conditions precedent to the issuance of such Liquidity Facility or Credit Enhancement have been met as of the date of issuance of such Series of Bonds; and

(j) such further documents and moneys as set forth in the Master Indenture or any Supplemental Indenture.

One or more Series of additional bonds ("Refunding Bonds") may be issued pursuant to the Master Indenture to refund any Outstanding Bonds. Refunding Bonds may be issued only upon receipt by the Trustee of the documents and moneys, if any, referred to in the preceding paragraph and irrevocable instructions to the Trustee to give any required notices with respect to the refunded Bonds, and upon receipt by the Trustee of either (a) moneys sufficient to effect payment of the Bonds to be refunded, or (b) direct obligations of the United States or of agencies and instrumentalities thereof that are guaranteed by the United States of America the principal of and interest on which when due, together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable redemption price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date.

The Trustee will establish a Program Obligation Fund for the 2016 Bonds and a Rebate Fund for the 2016 Bonds, if necessary. The Trustee shall establish within any Account such additional subaccounts for the purposes of such Account as the Corporation shall determine by Supplemental Indenture.

Rebate

The Corporation will establish a Rebate Fund for the 2016 Bonds if necessary to hold moneys required to be rebated to the federal government which shall not be subject to the lien and pledge of the Indenture.

Investments

Except as otherwise provided in the Indenture, all amounts held under the Indenture by the Trustee or any Depository shall be invested continuously and fully in Investment Securities for the benefit of the Corporation and the holders of the Bonds. "Investment Securities" are limited to: (a) direct obligation of or obligations insured or guaranteed by the United States or agencies or instrumentalities of the United States; (b) demand and time deposits in, certificates of deposit of, banker acceptances issued by, or federal funds sold by, any bank or trust company organized under the laws of the United States of America or any state thereof and subject to supervision and examination by federal and/or state banking authorities, or any foreign bank with a branch or agency licensed under the laws of the United States of America or any state thereof or under the laws of a country the Moody's sovereign rating for bank deposits in respect of which is "Aaa," so long as at the time of such investment (i) the unsecured debt obligations of such bank or trust company have credit ratings from each Rating Agency at least equal to the then existing ratings of the Bonds; or (ii) the investment matures in six months or less and such bank or trust company has outstanding commercial paper rated "A-1+" by Standard & Poor's and "P-1" by Moody's and having comparable ratings from (or otherwise acceptable to) Fitch and from any other Rating Agency and has outstanding debt obligations rated as least "Aa" by Moody's; (c) repurchase obligations held by the Trustee or a third party acting as agent for the Trustee with a maturity date not in excess of 30 days with respect to (i) any security described in paragraph (a) or (ii) any other security issued or guaranteed by an agency or instrumentality of the United States of America, in either case entered into with the Trustee or any other bank or trust company (acting as principal) that has outstanding commercial paper rated "A-1+" by Standard & Poor's and "P-1" by Moody's and having comparable ratings from (or otherwise acceptable to) Fitch and from any other Rating Agency and that has outstanding debt obligations rated at least "Aa2" by Moody's; (d) securities (other than securities of the types described in the other paragraphs under this definition of "Investment Securities") which at the time of such investment have ratings from Standard & Poor's and Moody's at least equal to the highest ratings available from Standard & Poor's and Moody's for obligations similar to the Bonds and having comparable ratings from (or otherwise acceptable to) Fitch and from any other Rating Agency and which evidence a debt of any corporation incorporated under the laws of the United States of America or any state thereof; provided, however, that such securities issued by any particular corporation will not be Investment Securities to the extent that investment therein will cause the then outstanding principal amount of securities issued by such corporation and held under the Indenture to exceed 10% of the aggregate outstanding principal balances and amounts of all Mortgage Loans and Investment Securities held under the Indenture; (e) commercial paper with a maturity date not in excess of 270 days rated "A-1+" by Standard & Poor's and "P-1" by Moody's and having comparable ratings from (or otherwise acceptable to) Fitch and from any other Rating Agency at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof or under the laws of a country the Moody's sovereign rating for bank deposits in respect of which is "Aa"; provided, however, that at the time of such investment the issuer of such commercial paper shall also have outstanding debt obligations rated at least "Aa2" by Moody's; (f) an Investment Agreement; (g) money market funds rated "AAAm" or "AAAm-G" by Standard & Poor's and "P-1" by Moody's and having comparable ratings from (or otherwise accepted to) Fitch and from any other Rating Agency, 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; and (h) any other investment that is of Rating Quality and that is not unacceptable to the Trustee upon written direction to the Issuer.

Powers of Amendment

A Supplemental Indenture may be adopted at any time or from time to time, without the consent of any holder of the Bonds, upon filing with the Trustee, in order to: (a) close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; (b) add other covenants and agreements to be observed by the Corporation not contrary to or inconsistent with the Indenture; (c) add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Corporation which are not inconsistent with the Indenture; (d) surrender any right, power or privilege of 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) authorize bonds of a Series and, in connection therewith (i) to specify and determine certain matters and things referred to as being matters or things to be determined or specified in a Supplemental Indenture authorizing a Series of Bonds and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect, (ii) to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds, or (iii) to add such provisions to the Indenture and, if necessary, amend the provisions of the Indenture as may be necessary to permit and provide for the issuance of such Bonds as bearer Bonds; (f) confirm any pledge under, or the subjection to any lien or pledge created by, the Indenture; (g) modify any of the provisions of the Indenture in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding, and

(ii) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the effective date of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; and (h) to make such additions, deletions or modifications as may be necessary to assure compliance with the Code or to obtain a satisfactory rating on a Series of Bonds from a Rating Agency, provided that no such additions, deletions or modifications intended to obtain a satisfactory rating shall cause a reduction in any ratings assigned by a Rating Agency to Bonds then Outstanding. A Supplemental Indenture may also be adopted at any time or from time to time, without the consent of Bondholders, upon filing with the Trustee and upon consent of the Trustee to: (a) cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision; (b) 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) provide for additional duties of the Trustee in connection with the Mortgage Loans and Mortgage Certificates; or (d) make any other changes not materially adverse to the interests of the Bondholders.

Any modification or amendment of any provision of the Indenture or 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 (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding, (ii) 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 two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest rate thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the 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 any of the rights or obligations of any Fiduciary without its written assent thereto. For these purposes, 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 discretion determine whether, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Corporation and all holders of Bonds.

Events of Default

Each of the following events is an "Event of Default": (a) the Corporation defaults in the payment of the principal (including Sinking Fund Payments) or Redemption Price, if any, of any Bond within two Business Days after the same becomes 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 within two Business Days after the same becomes due; (c) the Corporation fails or refuses to comply with the provisions of the Indenture or defaults in the performance or observance of any of the covenants, agreements or conditions contained therein or in any Supplemental Indenture or the Bonds, and such failure, refusal or default continues for a period of 45 days after written notice thereof by the Trustee or the holders of not less than 25% in principal amount of the Outstanding Bonds; or (d) any Event of Default as designated by a Supplemental Indenture occurs and remains uncured.

Remedies

Upon the happening and continuance of any Event of Default specified in clause (a) or (b) above, the Trustee will proceed, or upon the happening and continuance of any Event of Default specified in clause (c) or (d) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds, subject to certain provisions relating to the Trustee (except that, with respect to an Event of Default specified in clause (c) or (d) above, the provisions of the Supplemental Indenture to which such Event of Default relates may direct the Trustee to so proceed without regard to Bondholder request or to proceed or not proceed upon the occurrence of other conditions set forth in such Supplemental Indenture), will proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, will deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the Corporation to receive and collect revenues and assets adequate to carry out the covenants and agreements as to, and pledge of, such revenues and assets, and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, 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, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; or (e) by taking possession of and retaining the Program Obligations for the benefit of Bondholders.

Trustee

U.S. Bank National Association is appointed as the Trustee. The Trustee shall be removed by the Corporation if at any time so 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 attorneys-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 by the Corporation, the Corporation may remove the Trustee at any time for such cause as shall be determined by the Corporation. Any successor to the Trustee is required to be a trust company or bank having the powers of a trust company within or outside the State of Alaska and having capital and surplus aggregating at least $25,000,000. The Corporation will pay to the Trustee reasonable compensation for all services rendered.

Defeasance

If the Corporation pays or causes to be paid to the holders of the Bonds the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any revenues and assets thereby pledged and all other rights granted thereby will be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise), at the maturity or redemption date thereof, will be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Bonds will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation gives to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption of the Bonds, (b) there has been deposited with the Trustee either moneys in an amount which are sufficient, or Investment Securities which are direct obligations of the United States or of agencies or instrumentalities thereof that are guaranteed by the United States the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal or redemption price, if any, 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 (c) in the event the Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation gives the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the holders of such Bonds stating that the deposit required by (b) above has been made with the Trustee and that the 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, of the Bonds. Neither the Investment Securities nor the moneys so deposited with the Trustee nor principal or interest payments on any such Investment Securities will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on the bonds, but any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, will, be reinvested to the extent practicable in those Investment Securities described above maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on the bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

TAX MATTERS

The Code substantially restricts the use of tax-exempt bonds to finance single-family and multifamily housing. In general, interest on bonds that are used to purchase single-family mortgages is not exempt from federal income tax unless the bonds are part of a "qualified mortgage issue" or a "qualified veterans mortgage issue." The 2016 Bonds will, collectively, meet the requirements of a single "issue" for purposes of the Code and, thus, the requirements of the Code will be satisfied by the 2016 Bonds on a composite basis. In order to ensure that the 2016 Bonds are part of a "qualified veterans mortgage issue," the Corporation established its mortgage loan eligibility standards and program guidelines to restrict the class of eligible borrowers and to implement other standards necessary for the mortgage loan to comply with the Code.

Among the principal requirements of the Code and Corporation program requirements with which the Corporation must comply are:

(a) the residence securing the Mortgage Loan must be the principal residence of the borrower;

(b) 95% of net proceeds (i.e., bond proceeds less amounts in a reasonably required reserve fund) must be used to provide residences for qualifying veterans;

(c) a Mortgage Loan may not be assumed unless the residence will be the assuming mortgagor's principal residence and the requirement of clause (b) above is met; and

(d) subject to certain exceptions, no part of the bond proceeds is used to acquire or replace existing mortgages.

Compliance with certain of the requirements of the Code may increase the period of time during which the Corporation will originate the Mortgage Loans which will secure the 2016 Bonds. The Code also contains certain arbitrage restrictions, rebate requirements, limitations on financing issuance costs and public approval and information reporting requirements with which the Corporation will comply.

The Code effectively requires that 95% or more of the net proceeds of the 2016 Bonds (net of amounts in a reasonably required reserve fund) be applied to the financing of Mortgage Loans which meet each of the principal requirements set forth above at the time the mortgage is executed. Under the applicable temporary Treasury regulations, compliance with certain administrative procedures, such as an examination of and reliance on a Mortgage Loan applicant's affidavits, will be sufficient to satisfy the mortgage eligibility standards for purposes of this 95% requirement. The Indenture, the Corporation's regulations and other related documents contain restrictions which permit the financing of Mortgage Loans only in accordance with the requirements of the Code. The Corporation has also developed explanatory materials describing the foregoing requirements, certification procedures by which the mortgagor confirms compliance with those requirements and procedures for verifying the accuracy of such certifications. Based upon these procedures and the provisions of such temporary Treasury regulations, the Corporation does not anticipate any difficulty in achieving and maintaining complete compliance with this 95% requirement of the Code. An issue of bonds is treated as meeting the programmatic requirements of the Code if (a) the Corporation in good faith attempted to meet such requirements and (b) any failure to meet such requirements is due to inadvertent error after taking reasonable steps to comply with the requirements.

The Code limits the amount of qualified veterans bonds that may be issued for Alaska, excluding certain refunding bonds, to $100,000,000 in 2016.

The Corporation has amended its own regulations to implement the qualified veterans mortgage bond program as a part of the Special Mortgage Loan Purchase Program and to meet the requirements of the Code.

The Corporation augments its mortgage underwriting procedures in response to the restrictions of the Code. The expanded procedures are generally applicable to the underwriting of the Mortgage Loans. The Corporation requires that each loan package contain affidavits from each mortgagor which represent and warrant that the mortgagor will occupy the premises as a principal residence within 60 days after the Mortgage Loan is made, that the property will not be used for impermissible business purposes and that other requirements of the Code or the regulations will be met. In addition, the Corporation requires adequate proof of the qualification of the mortgagor as a veteran under the Code.

The Corporation analyzes, among other things, the information contained in the loan package to determine the applicant's credit worthiness as well as eligibility under the Code, verifies the location of the residence within the State, the size of the property on which the residence is located and the likelihood of the use of the property as a principal residence rather than for recreation, business or investment purposes. The Corporation has published supplements to its lenders' guides describing the process each Seller/Servicer must perform with respect to each Mortgage Loan.

The Seller/Servicer is required at the time the loan application is submitted to obtain from the mortgagor the necessary affidavits evidencing the mortgagor's understanding of and compliance with certain requirements of the Code. If misstatements or misrepresentations by the mortgagor in these affidavits are discovered, an event of default under the Mortgage Loan will be deemed to have occurred, allowing the Corporation to remove the Mortgage Loan from the Program Obligation portfolio. An event of default will permit the Corporation to either (i) increase the interest rate on the Mortgage Loan to the current rate for conventional mortgages; (ii) accelerate payment of the Mortgage Loan by the mortgagor; or (iii) institute foreclosure procedures. If misstatements or misrepresentations by a Seller/Servicer are discovered by the Corporation, the Seller/Servicer is required to repurchase the Mortgage Loan to which such misstatements or misrepresentations relate.

Except with respect to certain arbitrage restrictions and rebate requirements, the Code requirements outlined above do not apply to Mortgage Loans purchased with, or represented by, Certificates or mortgage-backed securities purchased with amounts transferred to the Program Obligation Fund from the Corporation's own funds or the surplus revenues related thereto.

Certain Sellers/Servicers have been designated as delegated underwriters and such Sellers/Servicers will undertake the entire review and analysis process which is described above as being undertaken by the Corporation. The Corporation will monitor the performance of such Sellers/Servicers to ensure that such Sellers/Servicers are properly carrying out such review and analysis process.

Opinions of Counsel

In the opinion of the Law Office of Kenneth E. Vassar, LLC, Bond Counsel, and Hawkins Delafield & Wood LLP, Special Tax Counsel to the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2016 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (ii) interest on the Subseries A-1 (Non-AMT) Bonds and 2016 Second Series Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest on the Subseries A-1 (Non-AMT) Bonds is, and interest on the 2016 Second Series Bonds is not, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations, and (iii) interest on the Subseries A-2 (AMT) Bonds is treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. In the opinion of Bond Counsel, under existing laws, interest on the 2016 Bonds is exempt from taxation by the State of Alaska except for inheritance and estate taxes and taxes of transfers by or in anticipation of death. In rendering such opinions, Bond Counsel and Special Tax Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation in connection with the 2016 Bonds, and Bond Counsel and Special Tax Counsel have assumed compliance by the Corporation with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2016 Bonds from gross income under Section 103 of the Code. Bond Counsel and Special Tax Counsel express no opinion as to any other matter with respect to the exemption of interest of the 2016 Bonds from federal income taxation or as to the treatment of any such 2016 Bond for tax purposes by any state, city, county, or other jurisdiction. Bond Counsel and Special Tax Counsel render their opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update their opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel and Special Tax Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the 2016 Bonds, or under State and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2016 Bonds in order that interest on the 2016 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2016 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government or paid to mortgagors. Noncompliance with such requirements may cause interest on the 2016 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Corporation has covenanted to comply with the applicable requirements of the Code to assure the exclusion of interest on the 2016 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2016 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2016 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2016 Bonds.

Prospective owners of the 2016 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the 2016 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2016 Bonds under federal or state law or otherwise prevent beneficial owners of the 2016 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. For example, budgets proposed by the Obama Administration from time to time have recommended a 28% limitation on certain itemized deductions and other tax benefits, including tax-exempt interest. The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date. The enactment of such proposal could impact the tax treatment of interest on the 2016 Bonds for state law purposes.

Prospective purchasers of the 2016 Bonds should consult their own tax advisors regarding the foregoing matters.

Compliance by the Corporation

The Corporation has included provisions in the relevant documents and has established procedures (including receipt of certain affidavits and representations from mortgage lenders and mortgagors respecting eligibility requirements) in order to assure compliance with the qualified mortgage eligibility requirements and the other requirements which must be met subsequent to the date of issuance of the 2016 Bonds. To such end, the Corporation has also agreed to adopt and maintain appropriate procedures for compliance with applicable federal tax law. See "TAX MATTERS—Certain Ongoing Federal Tax Requirements and Covenants" above. The Corporation believes that the procedures, documents and requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the 2016 Bonds will be applied in accordance with the requirements of the Code so as to assure that the interest on the 2016 Bonds will be excluded from gross income for federal income tax purposes.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the 2016 Bond purchasers in complying with Section (b)(5) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 as the same may be amended from time to time (the "Rule"), the Corporation and the State will enter into separate written agreements (collectively, the "Agreement") for the benefit of the holders of the 2016 Bonds to provide continuing disclosure. The State and the Corporation will undertake to provide the Municipal Securities Rulemaking Board (the "MSRB") on an annual basis on or before 210 days after the end of each fiscal year for the State and on or before 180 days after the end of each fiscal year for the Corporation, commencing the fiscal year ending June 30, 2016, with respect to the State and commencing the fiscal year ending June 30, 2016, with respect to the Corporation, the financial and operating data concerning the State and the Corporation outlined in the Agreement. The State will undertake to provide the State's annual financial statements prepared in accordance with generally accepted accounting principles as prescribed by the Government Account Standards Board. In addition, the Corporation will undertake, for the benefit of the beneficial owners and holders of the 2016 Bonds, to provide to the MSRB, in a timely manner, the notices described in the Agreement.

The sole and exclusive remedy for breach or default under the Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the Corporation, and no person, including a holder of the 2016 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Agreement shall not constitute an Event of Default under the Indenture. In addition, if all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Agreement, insofar as the provision of the Rule no longer in effect required the provision of such information, will no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Agreement do not anticipate that it often will be necessary to amend the informational undertakings. The Agreement, however, may be amended or modified under certain circumstances set forth therein. Copies of the Agreement are attached hereto as Appendix E.

On August 14, 2014, the State filed a material event notice with the MSRB stating that the State filed its Certified Annual Financial Report ("CAFR") for fiscal year 2010 16 days later than required, the CAFR for 2010 was not linked by CUSIP numbers to certain of the State's outstanding certificates of participation, the State filed its fiscal year 2009 and 2010 annual financial information for certain of its Sport Fishing Revenue Bonds later than required, and the State did not link its fiscal year 2009 annual financial information for certain Alaska Housing Finance Corporation Collateralized Veterans Mortgage Program bonds with respect to which the State is an obligated person. The State subsequently filed all required annual financial information and linked it to all outstanding bonds and certificates of participation for which the State was an issuer or obligated person.

On August 14, 2014, the State also filed a material event notice with the MSRB stating that the State did not file certain notices of listed events relating to the downgrades of insurers of its outstanding bonds and certificates of participation and the State did not file certain notices of rating changes (increases) attributable to general recalibrations of ratings by certain rating agencies for certain of its outstanding bonds and certificates of participation.

On January 29, 2016, the State filed a notice with the MSRB that the State had not provided its CAFR for Fiscal Year 2015 with respect to certain bonds and certificates of participation as required by continuing disclosure certificates of the State. The notice stated that the Fiscal Year 2015 CAFR was delayed due to time required to assess the application of GASB 68, and that it expected to file the report within seven days of the original continuing disclosure deadline. The State released the Annual Report on February 1, 2016.

While the State does not believe that any of the foregoing were material failures to comply with its undertakings, the State has adopted procedures to assure future compliance with its continuing disclosure undertakings.

RATINGS

It is a condition of the issuance of the 2016 Bonds that they initially be rated "___" by S&P and "___" by Moody's. The ratings of "___" and "___" are the highest ratings that S&P and Moody's, respectively, assign to bonds. A security rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Any further explanation of the significance of these ratings should be obtained directly from the appropriate rating agency.

FINANCIAL STATEMENTS

The audited financial statements of the Corporation as of and for the 12 months ended June 30, 2015, included in Appendix B to this Official Statement, have been audited by BDO USA, LLP, independent auditors, as stated in their report appearing herein.

Copies of the Corporation's annual financial statements as of and for the year ended June 30, 2015, the unaudited financial statements of the Corporation as of and for the [nine] months ended [March 31, 2016], and the Corporation's current annual report will be mailed to any Beneficial Owner who shall have filed his name and address with the Corporation for such purpose.

LITIGATION

There is no controversy or litigation of any material nature now pending or threatened to restrain or enjoin the issuance, sale, execution, authentication, or delivery of the 2016 Bonds, or in any way contesting or affecting the validity of such 2016 Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of such 2016 Bonds, or the existence or powers of the Corporation.

LEGAL MATTERS

All legal matters incident to the authorization, sale and delivery of the 2016 Bonds and certain federal and state tax matters are subject to the approval of the Law Office of Kenneth E. Vassar, LLC, Anchorage, Alaska, Bond Counsel to the Corporation. Certain federal tax matters will be passed upon for the Corporation by the Law Office of Kenneth E. Vassar, LLC, Anchorage, Alaska, Bond Counsel, and Hawkins Delafield & Wood LLP, Special Tax Counsel to the Corporation.

LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the 2016 Bonds are eligible for investment by all public officers and public bodies of Alaska and its political subdivisions, and, to the extent controlled by Alaska 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 2016 Bonds.

FINANCIAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest") is employed as Financial Advisor to the Corporation in connection with the issuance of the 2016 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the 2016 Bonds is contingent upon the issuance and delivery of the 2016 Bonds. First Southwest has agreed, in its Financial Advisory contract, not to bid for the 2016 Bonds, either independently or as a member of a syndicate organized to submit a bid for the 2016 Bonds. First Southwest, 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 2016 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

All quotations from and summaries and explanations of the Act and the Indenture contained herein do not purport to be complete, and reference is made to the Act and the Indenture for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Act and the Indenture (the 2016 Supplemental Indenture, in preliminary form, and the Master Indenture) may be obtained during the offering period upon request directed to the Corporation, Post Office Box 101020, Anchorage, Alaska 99510, or to the Financial Advisor, FirstSouthwest, a Division of Hilltop Securities Inc., 485 Madison Avenue, Suite 1800, New York, New York 10019.

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 2016 Bond.

APPENDIX A

INFORMATION CONCERNING THE STATE OF ALASKA

The information of the State of Alaska (the "State") set forth in this Appendix is dated as of the date of the Official Statement. The information contained herein which is excerpted from Comprehensive Annual Financial Reports of the State for the fiscal year ended June 30, 2015 is subject in all respects to the complete text of that financial report. Information excerpted from other reports or documents is also subject in all respects to the complete text of those documents. The information contained herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy.

General

Alaska includes approximately 586,412 square miles (approximately 365 million acres) of land and is the largest state of the United States (roughly equivalent in size to one-fifth of all of the other 49 states combined). Unlike the other 49 states, where significant portions of the land may be owned by individuals or entities in the private sector, less than one percent of the land in Alaska is owned by private, non-Alaska Native owners. As described below, most of the State's revenue is derived from resources owned by the State itself, including petroleum and minerals extracted from State-owned lands and securities in funds owned by the State.

State Government

Alaska became the 49th state in 1959 pursuant to the Alaska Statehood Act, which was enacted by the United States Congress in 1958 (the "Statehood Act"). The Alaska Constitution was adopted by the Constitutional Convention on February 5, 1956, ratified by the people of Alaska on April 24, 1956, and became operative with the formal proclamation of statehood on January 3, 1959.

Alaska government has three branches: legislative, executive and judicial. The legislative power of the State is vested in a legislature consisting of a Senate with a membership of 20 and a House of Representatives with a membership of 40 (the "Legislature"). The executive power of the State is vested in the Governor. The judicial power of the State is vested in a supreme court, a superior court and the courts established by the Legislature. The jurisdiction of courts and judicial districts are prescribed by law. The courts constitute a unified judicial system for operation and administration.

The State provides or funds a range of services including education, health and human services, transportation, law enforcement, judicial, public safety, community and economic development, public improvements and general administrative services.

There are 18 boroughs in Alaska and 144 cities, 96 of which are located within a borough. Of these, 13 boroughs and 23 cities impose property taxes and 9 boroughs and 52 cities impose sales taxes.

State Bond Committee

The Legislature, by AS 37.15.110, has created the Committee. The Committee is comprised of the Commissioner of the Department of Commerce, Community & Economic Development ("DCCED"), as chairperson, the Commissioner of the Department of Revenue ("DOR"), as secretary, and the Commissioner of the Department of Administration ("DOA"), or their designees. The Committee adopts resolutions and generally oversees the proceedings relating to the issuance of bonds by the State.

State Revenues

The State does not currently impose personal income taxes and has never imposed general sales taxes. The State does, however, impose a number of business-related taxes that, together with rents and royalties and fines and fees, represented nearly 100 percent of designated and unrestricted non-investment General Fund revenue in FYs 2015 and 2016. Grants, contributions and other revenue from the federal government and interest and investment income represent the remaining portions of State revenue.

The State's Department of Revenue, Tax Division produces a semi-annual revenue sources book. The Fall Revenue Sources is the comprehensive annual forecast released in late November or early December, and the Spring Revenue Sources Book is an annual, partial update of the Fall forecast. The Fall 2015 Revenue Sources Book and Spring 2016 Revenue Sources Book revenue projections are summarized in Table 1 below. The State forecasted in the Spring 2016 Revenue Sources Book that general purpose unrestricted revenues in the FY ending June 30, 2016 will be $1,336.8 million, compared to $2,256.5 million of actual general purpose unrestricted revenue in FY 2015, primarily driven by a projected $39.99 price of oil per barrel for FY 2016 (a $9.59 decrease in price per barrel from the Fall 2015 forecast and a $32.59 decrease in the actual average price per barrel, $72.58, in FY 2015).

Table 1

Revenue, Price, and Production Differences from Fall 2015 Forecast to Spring 2016 Forecast
Forecasted for Fiscal Years Ending June 30, 2016 - 2017
($ millions / $ per barrel of oil / thousands of barrels per day)

	Fall 2015 Forecast for FY2016	Fall 2015 Forecast for FY2017	Spring 2016 Forecast for FY2016	Spring 2016 Forecast for FY2017
Revenue Source				
Unrestricted				
Oil Revenue..............	$1,061.5	$ 1,237.3	$801.1	$704.7
Non-Oil Revenue.......	510.1	521.0	516.7	506.4
Investment Earnings..	21.3	38.1	19.0	35.4
Subtotal	$1,592.9	$ 1,796.4	$1,336.8	$1,246.5
Restricted				
Oil Revenue..............	$312.0	$356.1	$332.4	$322.3
Non-Oil Revenue.......	567.9	559.2	564.0	607.6
Investment Earnings..	3,780.2	4,346.8	(2,029.1)	2,893.3
Federal Revenue........	3,290.2	3,290.2	3,459.2	3,149.4
Subtotal	$7,950.3	$ 8,552.3	$2,326.5	$6,972.6
Total	$9,543.2	$10,348.7	$3,663.3	$8,219.1
ANS West Coast Price.……………..	$49.58	$56.24	$39.99	$38.89
ANS Production.…	500.2	504.9	520.2	507.1

Source: State of Alaska Department of Revenue.

Forecast information is derived from a number of sources and is based upon a variety of assumptions, many of which themselves are based upon other forecasts and assumptions and most of which are not within the State's control. Actual budgets, plans and results may differ materially from the plans, budgets and results described herein. As described herein, with recent decreases in oil prices and production, the State's FY 2015 and forecast unrestricted revenue available for General Fund appropriation also has declined. Although petroleum-related revenue remains the largest source of unrestricted revenue for the State's General Fund, increased use of currently restricted revenues, which are significantly greater than unrestricted petroleum-related revenue, together with potential sources of new revenues and potential expenditure reductions, are being considered. See "Government Budgets and Appropriations."

Oil and Gas Revenues. The State's unrestricted General Fund revenues are generated primarily from petroleum production activities. The State receives petroleum revenues (some of which are restricted) from five sources: oil and gas property taxes, corporate income taxes, oil and gas production taxes, oil and gas royalties and bonuses and rents.

Oil and Gas Property Tax. The State levies an oil and gas property tax on the value of taxable property in the State used in oil and gas exploration, production and pipeline transportation of oil and gas at a rate of 20 mills (two percent) of the assessed value of the property. This is the only centrally assessed statewide property tax program in Alaska. The value of oil or gas reserves, oil or gas leases, the rights to explore for or produce oil or gas, and intangible drilling expenses are not taxable under the statute. The most notable properties that are subject to this property tax are the Trans-Alaska Pipeline System ("TAPS") (including the terminal at Valdez) and the field production systems on the North Slope, including Prudhoe Bay. The assessed value of all existing properties subject to this tax was $27.7 billion as of January 1, 2016, $28.6 billion as of January 1, 2015, $27.4 billion as of January 1, 2014, $28.6 billion as of January 1, 2013, $24.5 billion as of January 1, 2012, and $23.8 billion as of January 1, 2011.

Property taxes on exploration property are based upon the estimated market value of the property. Property taxes on production property are based upon actual cost while under construction and replacement cost less depreciation, where deprecation is based upon the economic life of proven reserves, after construction. Property taxes on pipeline transportation property values (about 95 percent of which is TAPS property) are determined based upon economic value, taking into account the estimated life of the proven reserves of gas or unrefined oil then technically, economically, and legally deliverable to the transportation facility. Economic value for pipeline property under construction is based upon actual cost. Thereafter, replacement cost, less depreciation where depreciation is based upon the economic life of proven reserves, is typically relied upon to determine economic value for pipeline property.

Local governments also may levy a property tax on the State's oil and gas property assessments at the same rate it taxes all other property within their jurisdiction.. Taxpayers receive a credit against the State's 20 mill levy for oil and gas property taxes paid to municipalities. Of the $572.4 million of property taxes collected in FY 2015 on oil and gas property in the State, the State's share was approximately $125.2 million. In its Spring 2016 Revenue Sources Book, the State forecasts income from the oil and gas property tax to be approximately $133.9 million in FY 2016 and $118.3 in FY 2017.

Revenue from oil and gas property taxes is deposited into the General Fund; payments received by the State after a property tax assessment dispute, however, are deposited into the Constitutional Budget Reserve Fund. See "Government Funds—The Constitutional Budget Reserve Fund."

Corporate Income Tax. Alaska levies a corporate income tax on Alaska taxable net income of companies doing business in Alaska (other than insurance companies that pay premium tax and other than S corporations and limited liability companies). Effective for tax years on or after August 26, 2013, corporate income tax rates are graduated and range from zero percent to 9.4 percent of income earned in Alaska. Taxable income is generally calculated using the provisions of the federal Internal Revenue Code, and the calculation of Alaska taxable income varies, depending on whether the corporation does business solely in Alaska, does business both inside and outside Alaska or is part of a group of corporations that operate as a unit in the conduct of a single business (a "unitary" or "combined" group). Oil and gas companies are combined on a world-wide basis, although for other industries only the companies doing business in the United States are combined. Taxpayers may claim all federal incentive credits, but federal credits that refund other federal taxes are not allowed as credits against State corporate income taxes. In addition to the federal incentive credits, the State provides incentives, including an education credit for contributions made to accredited State universities or colleges for education purposes, a minerals exploration incentive, an oil and gas exploration incentive and a gas exploration and development tax credit.

Most corporate net income tax collections are deposited into the General Fund, although collections from corporate income tax audit assessments of oil and gas corporations are deposited into the Constitutional Budget Reserve Fund.

Oil and Gas Production Taxes. The State levies a tax on oil and gas production income generated from sales of oil and gas produced in the State. The tax on production of oil and gas is levied on sales of all onshore oil and gas production, except for sales of federal and State royalty shares and sales of production on offshore developments within three miles of shore. The production tax applies only to oil and gas the producer sells, so it excludes State royalties, gas used in lease operations or flared for safety reasons and any production that is re-injected into the reservoir.

The oil and gas production tax, the State's single largest source of revenue, was substantially changed by the Legislature in 2006, with the Petroleum Profits Tax ("PPT"). This tax fundamentally changed Alaska's petroleum tax system from a tax on gross value to a tax generally on net profit. The gross value tax system was in place since the early 1970s and was in place during the development of Prudhoe Bay, the largest oil-field in North America. PPT introduced the concept of "Production Tax Value" ("PTV"), which was gross value at the point of production minus lease expenditures (capital and operating costs). The key difference from the gross tax was subtraction of lease expenditures in calculating the tax base. PTV is similar in concept to net profit, but different in that all lease expenditures can be deducted in the year incurred; that is, capital expenditures are not subject to depreciation. The tax under PPT was 22.5% tax of taxable value minus lease expenditures. There was a progressive surcharge of 0.25% added for every dollar of PTV per barrel that exceeded $40. The maximum tax rate was set at 47.5%. In 2007, the tax was altered under a bill known as the "Alaska's Clear and Equitable Share" ("ACES"). The resulting ACES legislation maintained the general structure of PPT, but increased the production tax rate from 22.5% to 25% of PTV. The progressive surcharge changed to 0.4% added for every dollar of net income per barrel that exceeded $30 and was less than $92.50. Above $92.50, the progressive surcharge decreased to 0.1% for every additional dollar in net value. The maximum tax rate was set at 75% of PTV, but that rate applied only at production tax value over $342.50 per barrel, a level not seen while ACES was in place. ACES retained the 20% credit for all qualified capital expenditures and the small producer credit of up to $12 million per year for qualified companies.

This legislation was reformed during the 2013 legislative session under Senate Bill 21 ("SB 21") that was signed into law on May 21, 2013 and challenged in a State-wide referendum that failed in August 2014. SB 21 is the existing production tax regime that applies to North Slope oil production, although it also includes provisions, including credits, that apply to production in other areas, to private landowner royalty interests and to natural gas used for qualified in-State uses. The Legislature currently is considering proposals to amend the statute.

SB 21 retains the basic framework of PPT and ACES, with the primary change being the removal of a progressive surcharge tied to the value of oil. The base tax rate was increased from 25% to 35% of the net value of oil and gas production. Other major factors include the replacement of credits (the 20% credit for all qualified capital expenditures was eliminated for the North Slope) tied to capital spending with one tied to production on the North Slope, and the creation of an incentive for the development of areas north of 68 degrees North latitude that are not currently in production. SB 21 went into effect on January 1, 2014.

During the creation of SB 21, the Legislature stated its intent to provide a direct incentive for companies to produce additional oil. As a result, a mechanism was created in the form of a per-taxable-barrel credit. The per-taxable-barrel credit is reduced from $8 per barrel to $0 at wellhead values between $80 per barrel and $150 per barrel, thus retaining a progressive element in the tax system. As this new production credit was introduced, the credit on qualified capital expenditures was eliminated for the North Slope. The new credit is targeted directly as an incentive to bring new production areas into development to new oil production rather than indirectly by providing an incentive for spending. This incentive reduces the tax liability in new production areas by excluding 20% of the gross value for that production from the tax calculation. Qualifying production includes areas surrounding a currently producing area that may not be commercial to develop, as well as new oil pools that have not been discovered or developed. Oil that qualifies for this Gross Value Reduction ("GVR") receives a flat $5 per taxable barrel credit rather than the sliding-scale credit available for most other North Slope production. The new credit also protects State revenue at lower prices, as it cannot be applied against the statutory minimum tax, which is generally 4% of gross value when oil prices are above $25 per taxable barrel. This protection results in a flattening of the production tax revenue decline at prices lower than $80 per barrel.

Taxpayers are required to make monthly estimated payments, based upon activities of the preceding month. These payments are due on the last day of the following month and to file an annual tax return to "true up" any tax liabilities or overpayments made during the year. As an incentive for new exploration, companies without tax liability against which to apply credits available under the SB 21 tax may apply for a refund of the value of most of the credits. In FY 2015, the State paid $628 million to companies claiming such credits. The State forecasts in the Spring 2016 Revenue Sources Book that in FY 2016 the State will owe $500 million to companies claiming such credits, and $775 million in FY 2017. SB 21 reduced the State's exposure for such credits for the North Slope versus the prior ACES tax, as the new per-taxable-barrel credits are not eligible for refund.

All unrestricted revenue generated by the oil and gas production taxes ($2.9 billion in FY 2010, $4.6 billion in FY 2011, $6.1 billion in FY 2012, $4.1 billion in FY 2013, $2.6 billion in FY 2014, $0.4 billion in FY 2015, and projected in the Spring 2016 Revenue Sources Book at $0.15 billion in FY 2016 and $0.07 billion in FY 2017.) is deposited into the General Fund, except that any payments received as a result of an audit assessment under the oil and gas production tax or as a result of litigation with respect to the tax are to be deposited into the Constitutional Budget Reserve Fund. See "Oil and Gas Royalties, Rents and Bonuses" - Table 2.

Oil and Gas Royalties, Rents and Bonuses. In FY 2015, approximately 99 percent of all oil production in the State, including the reserves at Prudhoe Bay, was from State land leased for exploration and development. As the land owner, through the Department of Natural Resources ("DNR"), the State earns revenue from leasing as (i) upfront bonuses, (ii) annual rent charges and (iii) retained royalty interests in the oil and gas production. State land historically has been leased largely based on a competitive bonus bid system. Under this system the State retains a statutorily prescribed minimum royalty interest of at least 12.5 percent on oil and gas production from land leased from the State, although some leases contain royalty rates of up to 20 percent and some also include a net profit-share production agreement. Although other leasing alternatives are available under statute, they have not been used in the past. Under all lease contracts the State has ever written, it reserves the right to switch between taking its royalty in-kind or in cash (in cash royalty is valued according to a formula based upon the higher-of contract prices received by the producers, net of transportation charges). If the State takes its royalty share in-kind, the State becomes responsible for selling and transporting that royalty share, which means establishing complex contracts to accomplish these tasks. As described below, much of State royalty revenue from production on State land is restricted revenue that is not available for general appropriations.

In addition to royalties from production on State land, the State receives 50 percent of royalties and lease bonuses and rents received by the federal government from leases of federal lands in the National Petroleum Reserve Alaska (the "NPR-A"). The federal government requires that such revenue be used as described in the next paragraph. The State also receives revenues from federal royalties and bonuses on all other federal lands located within State borders and federal royalties and lease bonuses and rents from certain federal waters at rates negotiated on a field by field basis. This revenue too is treated as federal revenue and is restricted.

Use of Restricted Petroleum Revenue. As shown in Tables 2 and 3 below, a portion of the State's oil-related revenue, including oil and other royalty and bonus payments, is restricted revenue and is not available for general appropriations. See "Government Funds." The State Constitution requires that a minimum of 25 percent (and State statutes currently require 50 percent for certain leases) of all mineral and oil and gas lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State be deposited to the Permanent Fund. See "Government Funds – The Alaska Permanent Fund." Alaska statutes also require that at least 0.5 percent of all royalties and bonuses be contributed to the Public School Fund Trust and that most settlements with or judgments involving tax and royalty disputes be deposited to the Constitutional Budget Reserve Fund. See "Government Funds." In addition, the State is required to deposit its entire share of lease bonuses, and rents and royalties from oil activity in the NPR-A to the NPR-A Special Revenue Fund, from which a portion is used to make grants to municipalities that demonstrate present or future impact from oil development in the NPR-A. Of the revenue in the NPR-A Special Revenue Fund that is not appropriated to municipalities, 25 percent is to be deposited to the Permanent Fund, with up to 0.5 percent to the Public School Trust Fund and the remainder available for appropriation to the Power Cost Equalization Fund or the Rural Electric Capitalization Fund. Any remaining amount is then available for General Fund appropriations.

Table 2 summarizes the sources and uses of oil and other petroleum-related revenue for FYs 2006 through 2015. See the discussion above and Table 1 in this "– State Revenues" section for FY 2016 and FY 2017 forecasts.

Table 2

Sources and Initial Applications of Oil and Other Petroleum-Related Revenue
FYs Ended June 30, 2006 - 2015
($ millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Oil Revenue to the General Fund										
Property Tax	$54.5	$65.6	$81.5	$111.2	$118.8	$110.6	$111.2	$99.3	$128.1	$125.2
Corporate Income Tax	661.1	594.4	605.8	492.2	446.1	542.1	568.8	434.6	316.6	94.8
Production Tax (1)	1,199.5	2,208.4	6,822.6	3,112.0	2,871.0	4,552.9	6,146.1	4,050.3	2,598.2	389.7
Royalties (including bonuses, rents and interest) (2)	1,784.1	1,613.0	2,446.1	1,465.6	1,477.0	1,843.3	2,031.7	1,767.8	1,712.4	1,078.2
Subtotal	$3,699.2	$4,481.4	$9,956.0	$5,181.0	$4,912.9	$7,048.9	$8,857.8	$6,352.0	$4,755.3	$1,687.9
Oil Revenue to Other Funds										
Royalties to the Permanent Fund and School Fund (3)	$611.5	$545.6	850.5	$670.8	$707.2	$870.9	$919.6	$855.9	$786.2	$518.3
Tax settlements to CBRF...........	43.7	101.9	476.4	202.6	552.7	167.3	102.1	176.6	141.4	149.0
NPR-A royalties, rents and bonuses (4)	4.5	12.8	5.2	14.8	21.3	3.0	4.8	3.6	6.8	3.2
Subtotal	659.7	660.3	1,332.1	888.2	1,281.2	1,041.2	1,026.5	1,036.1	934.4	670.5
Total Oil Revenue	$4,358.9	$5,141.7	$11,288.1	$6,069.2	$6,194.1	$8,090.1	$9,884.3	$7,388.1	$5,689.7	$2,358.4

(1) The standard deduction provided under ACES for production in the Prudhoe Bay and Kuparuk fields expired on December 31, 2009.
(2) Net of deposits to the Permanent Fund and the Constitutional Budget Reserve Fund. The State Constitution requires the State to deposit at least 25 percent to the Permanent Fund, and between 1980 and 2003 Alaska statutes required the State to deposit at least 50 percent to the Permanent Fund. The statutory minimum was changed to 25 percent beginning July 1, 2003, and changed back to 50 percent as of October 1, 2008. See "Government Funds – The Alaska Permanent Fund."
(3) Includes proceeds of royalties taken in-kind.
(4) By federal statute, the State receives 50 percent of federal revenues from oil and gas lease sales located in the NPR-A.
Source: State of Alaska Department of Revenue

Non-Oil Revenues. The State also receives unrestricted and restricted General Fund revenues from activities unrelated to petroleum. The State receives revenues from corporate income taxes paid by corporations other than petroleum producers, cigarette/tobacco excise taxes, motor fuel taxes, alcoholic beverage taxes, fishery business taxes, electric and telephone cooperative taxes, insurance premium taxes, commercial passenger vessel excise taxes and service charges, permit fees, fines and forfeitures, and miscellaneous revenues. A number of these non-oil tax, license and fee revenue (but not investment income and federal revenue) are shared with municipalities. The Spring 2016 Revenue Sources Book reported that in FY 2015, unrestricted revenue unrelated to petroleum production (excluding investment income and federal revenue) was $520.7 million and forecasted that unrestricted revenue unrelated to petroleum production would be $516.7 million in FY 2016 and $506.4 million in FY 2017. Contained in the non-oil figures is the minerals industry, which contributes State revenue in the form of corporate income tax, mining license tax, and mining rents and royalties

Mining License Tax. The State's severance tax on mining (in general, the extraction of minerals other than oil, sand and gravel, including gold, zinc, silver, copper, lead and coal), the mining license tax, is based on the net income of individual mines for all mining property in the State, whether or not mining occurs on State-owned land. New mining operations are exempt from the tax for the three and a half years after production begins. Tax rates are scaled from 0 percent to 7 percent depending upon net income, with the 7 percent rate applying to all net income over $100,000. Revenue from this tax was $41 million in FY 2012, $46.7 million in FY 2013, $23.6 million in FY 2014, and $38.6 million in FY 2015. In the Spring 2016 Revenue Sources Book, the State forecast that revenues from the mining license tax will be $24.4 million in FY 2016 and $19.7 million in FY 2017. Revenue from the mining license tax is deposited into the General Fund; settlement payments received by the State after a tax assessment dispute, however, are deposited into the Constitutional Budget Reserve Fund. See "Government Funds—The Constitutional Budget Reserve Fund." At the beginning of calendar year 2012, sand and gravel, quarry rock and marketable earth mining operations became exempt from the mining license tax. As described below, revenue from the mining industry also includes corporate income tax and mineral rents and royalties. See "State Ownership of Land and Natural Resources – Mineral Resources."

Production Royalties and Annual Rentals. The State charges a production royalty on mining operations conducted on State-owned lands in the amount of three percent of net income. The State is required by statute to deposit 50 percent of total minerals royalties to the Permanent Fund, with a base constitutionally-mandated minimum of 25 percent, and 0.5 percent to the Public School Trust Fund. The Pogo mine and proposed Pebble mine are on State land but most of the existing mines are not. In FY 2015, the State received $6.0 million in mining royalty and rental income for the General Fund, which the Spring 2016 Revenue Sources Book forecasted will be $5.0 million in FY 2016 and $4.7 million in FY 2017. The State also collected $30.3 million in other non-petroleum rents and royalties. The Spring 2016 Revenue Sources Book projected that such other non-petroleum rents and royalties will be $30.3 in FY 2016 and FY 2017. See "Government Funds—The Alaska Permanent Fund."

Corporate Income Tax and Insurance Premium Tax. In addition to corporate income taxes paid by mining companies and by oil and gas producers, the State collected approximately $136.2 million of other corporate income taxes in FY 2015. The Spring 2016 Revenue Sources Book projected such other corporate income taxes to be $109.6 million on FY 2016 and $99.3 million in FY 2017. Insurance companies doing business in Alaska pay a premium tax instead of paying corporate income tax. Unrestricted revenues from insurance premium taxes totaled approximately $59.1 million in FY 2015, and the State expects to collect approximately $60 million in FY 2016 and in FY 2017.

Cigarette/Tobacco Excise Tax. The State levies a tax on cigarettes imported into the State for sale or personal consumption. The cigarette tax is paid through the purchase of cigarette tax stamps, which must be affixed to every pack of cigarettes imported into the State for sale or personal consumption. The tax rate is $2.00 per pack, which equates to 10 cents per cigarette. Of the cigarette tax, $0.76/pack is deposited to the Public School Trust Fund, together with cigarette and other tobacco products license fees. The remaining $1.24 per pack is deposited into the General Fund, with 8.9 percent of that amount going to the Tobacco Use Education and Cessation Fund, a subfund of the General Fund.

In addition, the State levies a tax on other tobacco products imported into the State for sale, at a rate of 75 percent of the wholesale price, which is the established price at which a manufacturer sells other tobacco products to a distributor. All proceeds from the other tobacco products tax go to the General Fund.

Approximately $21.6 million of revenue from cigarette taxes was deposited into the Public School Trust Fund in FY 2015 to be used for the rehabilitation, construction, repair and associated insurance costs of State school facilities. Cigarette tax revenue deposited in the Tobacco Education and Cessation Fund in FY 2015 was $3.1 million, and remaining General Fund cigarette tax revenue was $27.7 million. The State expects the General Fund cigarette tax revenue will be approximately $28.9 million in FY 2016 and $27.2 million in FY 2017. In addition, the General Fund received $12.8 million in other tobacco products tax revenue in FY 2015 and forecasts receipts of approximately $14.2 million and $14.9 million in FYs 2016 and 2017. See "LITIGATION – Tobacco Company Litigation."

Motor Fuel Taxes. The State generally levies a motor fuel tax at rates that vary from 3.2 cents per gallon for jet fuel to 8 cents per gallon for highway use, on some motor fuel sold, transferred or used within Alaska. Aviation-related fuel is restricted to airport-related uses, and 60 percent of aviation fuel taxes attributed to aviation gasoline sales at municipal airports is shared with the municipalities (approximately $140,000 in FY 2015) and is considered restricted revenue. The motor fuel tax generated approximately $41.9 million in unrestricted revenue in FY 2015 and is forecast to be approximately $43 million in FY 2016 and in FY 2017.

Fishery Business Taxes. The State imposes a number of fishery-related taxes and fees, including a fisheries business tax charged to fish processors (one percent to five percent of the value of raw fish) and a fishery resource landing tax of from one percent to three percent on the value of fish landed in Alaska but processed outside State boundaries. Fifty percent of proceeds from these fishery taxes (before credits) is shared with qualified municipalities. The State's share of these fishery taxes was $32.7 million, in FY 2012, $24.7 million in FY 2013, $32.2 million in FY 2014, and $26.4 million in FY 2015. These numbers do not include smaller fish taxes that are designed for specific purposes and therefore considered restricted revenue. The Spring 2016 Revenue Sources Book forecasted income from the fisheries tax of $19.3 million in FY 2016 and $21.9 million in FY 2017.

Federal Revenue. The federal government is a significant employer in Alaska, directly and indirectly, as a result of procurement contracts, grants and other spending. See "Federal Spending" in Appendix A. In addition to expenditures in connection with federal military bases and other activities in Alaska, the State receives funding from the federal government, approximately $2.4 billion in FY 2013, $2.5 billion in FY 2014 and $2.5 billion in FY 2015. The Spring 2016 Revenue Sources Book forecasts Restricted Federal Revenue of approximately $3.46 billion for FY 2016, and $3.2 billion for FY 2017. The funds are primarily used for road and airport improvements, aid to schools and Medicaid payments, all of which are restricted by legislative appropriation to specific use. Federal funds most often are transferred to the State on a reimbursement basis, and all transfers are subject to audit.

Investment Income. The State earns unrestricted and restricted investment earnings from a number of internal funds. The primary sources of investment income for the State are two Constitutionally-mandated funds, the Permanent Fund and the Constitutional Budget Reserve Fund. The Permanent Fund had a fund balance (principal and the earnings reserve) of approximately $52.8 billion as of June 30, 2015, $51.2 billion as of June 30, 2014, $44.8 billion as of June 30, 2013, $40.3 billion as of June 30, 2012, and $40.1 billion as of June 30, 2011. The Earnings Reserve Account, in the Permanent Fund, had a fund balance of approximately $7.2 billion as of June 30, 2015, $6.2 billion as of June 30, 2014, $4.1 billion as of June 30, 2013, $2.1 billion as of June 30, 2012, and $2.3 billion as of June 30, 2011. Appropriation of the Fund's principal balance requires amendment of the State Constitution.

The Constitutional Budget Reserve Fund had a fund balance of approximately $10.1 billion as of June 30, 2015, $12.8 billion as of June 30, 2014, $11.6 billion as of June 30, 2013, $10.6 billion as of June 30, 2012, and $10.3 billion as of June 30, 2011. The balance of the Constitutional Budget Reserve Fund is available for appropriation with a three-fourths vote of each house of the Legislature, and as described below, the State borrows from the Constitutional Budget Reserve Fund when needed to address mismatches between revenue receipts and expenditures in the General Fund and/or to balance the budget at the end of the FY. See "Government Funds – The Constitutional Budget Reserve Fund" and "—The Alaska Permanent Fund."

Although not as significant, the State also has in the past received the earnings on the Statutory Budget Reserve Fund ("SBRF"). This fund had a balance of $288 million as of June 30, 2015, $2.8 billion as of June 30, 2014, and $4.7 billion as of June 30, 2013. These earnings are considered General Fund unrestricted revenue and in October 2015 the remaining balance in the SBRF was transferred to the General Fund. See "Government Funds – The Statutory Budget Reserve Fund."

In addition to investment income from the above-described funds, the State receives investment income (including interest paid) from investment of other, unrestricted funds ($47.9 million in FY 2015, $130.2 million in FY 2014, $28.1 million in FY 2013, $107.8 million in FY 2012, and $96.3 million in FY 2011). The State has forecast investment income of other unrestricted funds to total approximately $19 million in FY 2016 and approximately $35.4 million in FY 2017. See "Government Funds."

Major Components of State Revenues. Table 3 summarizes the sources of unrestricted and restricted revenues available to the State in FYs 2006 through 2015.

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Table 3

Total State Government Revenue by Major Component
FYs Ended June 30, 2006 – 2015
($ millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue Source										
Unrestricted										
Oil Revenue.......	$3,699.2	$4,481.4	$9,956.0	$5,181.0	$4,912.9	$7,048.9	$8,857.8	$6,352.0	$4,755.3	$1,687.9
Non-Oil Revenue............	447.9	537.1	544.4	402.6	414.0	527.7	519.6	548.4	508.5	520.7
Investment Earnings............	53.3	140.1	248.8	247.6	184.0	96.3	107.8	28.1	130.2	47.9
Subtotal.............	$4,200.4	$5,158.6	$10,749.1	$5,831.2	$5,513.3	$7,672.9	$9,485.2	$6,928.5	$5,394.0	$2,256.5
Restricted										
Oil Revenue.......	$659.7	$660.3	$1,332.1	$888.2	$1,281.2	$1,041.2	$1,062.5	$1,036.1	$934.4	$670.5
Non-Oil Revenue............	536.5	684.9	604.4	545.8	467.1	473.6	452.7	485.0	473.5	491.2
Investment Earnings............	3,173.3	3,737.8	(1,483.5)	(6,894.5)	4,291.9	7,928.5	144.3	4,977.8	7,927.7	2,603.4
Federal Revenue..........	1,966.2	1,971.9	1,902.5	2,088.4	2,387.9	2,407.9	2,455.5	2,383.2	2,511.9	2,512.7
Subtotal.............	$6,335.7	$7,054.9	$2,355.5	($3,372.1)	$8,428.2	$11,851.2	$4,079.0	$8,882.1	$11,847.5	$6,277.8
Total	$10,536.1	$12,213.5	$13,083.7	$2,459.1	$13,940.9	$19,524.2	$13,564.2	$15,810.6	$17,241.5	$8,534.3

Note: *"Restricted Oil Revenue" includes oil revenue for NPR-A Rents, Royalties, and Bonuses shared by the Federal government. In FY 2015 this shared revenue totaled $3.2 million.*
Source: *State of Alaska Department of Revenue.*

Government Budgets and Appropriations

The Legislature is responsible for enacting the laws of the State, including laws that impose State taxes, and for appropriating money to operate the government. The State is limited by its Constitution and statutes and also by policy in how it manages its funds and, as in other states, no funds, regardless of source, may be spent without a valid appropriation from the Legislature. The Legislature has a 90-day statutory time limit, and a constitutional time limit of 120 days with an allowance for up to an additional 10 days, to approve a budget. If the Legislature fails to approve a budget, or if other limited purpose legislation needs to be considered, the Governor or Legislature may call a special session to consider such matters. See "—General Appropriations."

Budgets. The State's FY begins on July 1 and ends on the following June 30, and the Legislature meets in regular session beginning on the fourth Monday of January in each year. The Governor is required by AS 37.07.020(a) to prepare a (1) statutorily conforming budget for the succeeding fiscal year, including capital, operating and mental health budgets setting forth all proposed expenditures (including expenditures of federal and other funds not generated by the State) and anticipated income of all departments, offices and agencies of the State; (2) a general appropriation bill to authorize proposed expenditures; and (3) in the case of proposed new or additional revenues, one or more bills containing recommendations for such new or additional revenues. The Governor's budget must be made public and be submitted to the Legislature by December 15. In accordance with AS 37.07.020(b), the Governor also is required to prepare a six-year capital budget covering the succeeding six FYs and a 10-year fiscal plan. To assist the Governor in preparing budgets, proposed appropriation bills and fiscal plans, the Department of Revenue's Tax Division prepares forecasts of annual revenues in December and April of each year. See "State Revenues" and Table 1 above and "Government Funds" and "General Fund Forecasts" below.

The State Constitution prohibits the withdrawal from the treasury of any funds, regardless of source, without an appropriation, and so the Governor's proposed budget and the Legislature's appropriation bills include federal and other funds as well as funds from the State. The Constitution also prohibits the dedication to a special purpose of the proceeds of "any State tax or license," with the exception of dedications required by federal law, mandated by the State's Constitution or in existence prior to statehood.

General Appropriations. The Governor is required by State law to submit the three budgets — an operating budget, a mental health budget and a capital budget — by December 15 and to introduce the budgets and appropriation bills formally to the Legislature in January by the fourth day of the regular Legislative session. These three budgets then to go the House Finance Committee, and are voted upon by the House of Representatives. The three budgets then go to the Senate Finance Committee, are voted upon by the full Senate and may go to a conference committee to work out differences between the House and Senate versions (and then submitted to both bodies for final votes). Bills passed by both bodies and are delivered to the Governor for signature. The Governor may veto one or more of the appropriations made by the Legislature in an appropriations bill (a "line-item veto") or may sign the bill or permit the bill to become law without a signature or veto. The Legislature may override a veto by the Governor (by a vote of three-fourths of the members of each body of the Legislature in the case of appropriation bills and by a vote of two-thirds of the members of each body in the case of other bills). Either the Governor or the Legislature may initiate supplemental appropriations during the fiscal year to deal with new or changed revenue receipts, to correct errors or for any other reason.

The Governor is permitted to prioritize or restrict expenditures, to redirect funds within an operating appropriation to fund core services and to expend unanticipated federal funds or program receipts. Historically, Alaskan Governors have placed restrictions on authorized operating and capital expenditures during years in which actual revenues were less than forecast and budgeted. Such expenditure restrictions have included deferring capital expenditures, State employment hiring freezes, lay-offs and furloughs and restrictions on non-core operating expenses. As described below, General Fund revenues and operating and capital expenditures have been declining since FY 2015 and declines in operating and capital expenditures have included use of administrative restrictions on spending.

As shown in Table 1 and Table 3, projected State Unrestricted General Fund Revenue has diminished from $5.39 billion in FY 2014 to $2.26 billion in FY 2015, to a projected $1.34 billion in FY 2016 and a projected $1.25 billion in FY 2017. In response to the diminished State revenue forecasts, Governor Walker proposed a reduction in unrestricted General Fund State operating budget spending of 9 percent and a reduction in the capital budget of more than 80% for FY 2016. The Legislature increased the operating budget reduction to more than 12%. Governor Walker additionally issued an Administrative Order to limit or stop State spending on State "Mega Projects" including the Juneau Access road, the Knik Arm Crossing, the Susitna Hydroelectric project, a small diameter in-State gas pipeline project, and a proposed State road to the Ambler Mining District. These projects continue to be reviewed to determine if they warrant implementation.

The Governor's proposed FY 2017 budget resulted in additional declines in unrestricted General Fund State operating budget expenditures and a capital budget comparable to the capital budget in FY 2016. On May 18, 2016 the second session of the 29th Legislature reached the constitutional time limit and adjourned. On May 19, 2016 the Governor issued an executive proclamation calling the Legislature into special session starting on May 23, 2016 to consider both budget bills as well as other bills previously introduced related to increasing revenues and decreasing expenditures of the State. On May 31, 2016 the Legislature approved a FY 2017 operating and capital budget, authorizing $4,417.4 million of spending. At the same time, the Legislature supplemented the FY 2016 budget with $642.1 million of appropriation comprised of $430.0 million in oil and gas tax credits, $92.0 million of capital expenses, $30.1 million of agency operating expenses, and $90.0 million for retirement system funding. The proposed level of spending results in a projected $642.1 million increase in the deficit in FY2016 and a $3,171.4 million deficit in FY 2017. It is uncertain when the budget bills will be transmitted to the Governor for final consideration. The options available to the Governor include vetoing the entire budget, approving the entire budget or line-item vetoing appropriations. Any vetoes may be overridden by a three fourths vote of both Legislative bodies.

The Unrestricted General Fund deficit was $3.85 billion in FY 2015 (which was managed by using transfers from the Statutory Reserve Fund and by eliminating the forward funding of K-12 education). The Unrestricted General Fund deficit for FY 2016 was previously projected to be $3.7 billion. If proposed amendments to the FY 2016 budget are approved, however, the draw on reserves will grow to $4.3 billion.

As part of his FY 2017 budget Governor Walker introduced 10 bills as part of a comprehensive plan to modify how revenue of the state is accounted for, to increase user fees and charges, increase taxes, diminish certain waivers, credits and deductions, and to implement new taxes. The bill with the most impact was the Alaska Permanent Fund Protection Act that would shift the Alaska Permanent Fund to a sovereign wealth model. The Governor included all of these bills on the special session agenda. On June 6, 2016 the Legislature approved the first of these bills, House Bill 247 diminishing state oil and gas tax credits. The Legislature continues to meet, but it is uncertain if any of the additional legislation will be approved.]

The Legislature must appropriate to create the authority to expend General Fund revenue. If an expenditure of General Fund revenue is required mid-budget cycle, a special session of the Legislature would be required to provide the authority to make such expenditure.

Appropriations for Debt and Appropriations for Subject-to-Appropriation Obligation. The Governor's proposed appropriations bills include separate subsections for appropriations for State debt and other subject-to-appropriation obligations and specify the sources of funds to pay such obligations. For the State's outstanding, voter-approved general obligation bonds (including the Bonds) and bond anticipation notes and for revenue anticipation notes to which the State's full faith and credit are pledged, moneys are appropriated from the General Fund and if necessary, from other funds, including the Permanent Fund, to the Committee to make all required payments of principal, interest and redemption premium. For these full faith and credit obligations, the State legally is required to raise taxes if State revenues are not sufficient to make the required payments.

The Governor's proposed appropriation bills also include separate subsections for appropriations for subject-to-appropriation obligations, including various outstanding capital leases, lease-purchase financings, State-supported local-government debt for school construction and certain other limited projects and some State "moral obligation" debt. Such appropriations are made from the General Fund or from appropriations transferring to the General Fund moneys available in other funds such as the Constitutional Budget Reserve Fund, the Power Cost Equalization Fund, unencumbered funds of the State's public corporations and the Permanent Fund earnings reserves.

Appropriation Limits. The State Constitution does not limit expenditures but does provide for an appropriation limit and reserves one-third of the amount within the limit for capital projects and loan appropriations. Because State appropriations have never approached the limit, the reservation for capital projects and loan appropriations has not been a constraint. The appropriation limit does not include appropriations for Permanent Fund dividends described below, appropriations of revenue bond proceeds, appropriations to pay general obligation bonds or appropriations of funds received in trust from a non-State source for a specific purpose. In general, under the State Constitution, appropriations that do not qualify for an exception may not exceed $2.5 billion by more than the cumulative change, derived from federal indices, in population and inflation since July 1, 1981. For FY 2016, the appropriations limit was approximately $10.3 billion.

Government Funds

Because the State is dependent upon taxes, royalties, fees and other revenues that can be volatile, the State has developed a framework of constitutionally, statutorily, and customarily restricted revenue that is held in a variety of reserve funds to provide long-term and short-term options to address cash flow mismatches and budgetary deficits. For FY 2015 revenue available for appropriation totaled $5,952.4 million, $3,695.9 million more than the $2,256.5 million of revenue classified as unrestricted. Investment income represented the majority of the revenue classified as restricted by custom but available for appropriation. The largest component was the Alaska Permanent Fund realized earnings at $2,931.4 million followed by the Constitutional Budget Reserve at $197.7 million. Projections for Revenue Subject to Appropriation for FY 2016 are $3,906.2 million and for FY 2017 $4,321.1 million.

The State Constitution provides that with three exceptions, the proceeds of State taxes or licenses "shall not be dedicated to any special purpose." The three exceptions are when required by the federal government for State participation in federal programs, any dedication existing before statehood and when restricted for savings in the Permanent Fund or Constitutional Budget Reserve Fund as required by constitutional amendment. State revenue restricted for deposit into the Permanent Fund and Constitutional Budget Reserve Fund is then only available for appropriation as prescribed by the constitutional provisions described below.

State funding options available on a statutory basis include unrestricted revenue of the General Fund, use of the earnings or the principal balance of the Statutory Budget Reserve Fund, borrowing restricted earnings revenue or principal balance from the Constitutional Budget Reserve Fund, use of the statutorily restricted royalty oil revenue currently flowing to the Permanent Fund, and use of the unrestricted earnings revenue of the Permanent Fund. To balance revenues and expenditures in a time of financial stress, each of these funds can be drawn upon, either immediately, in the case of the Constitutional Budget Reserve Fund following a year-over-year revenue decline, or by a vote of the Legislature and with the approval of the Governor (by a three-fourths vote of each house in the case of appropriations from the Constitutional Budget Reserve Fund and by a simple majority vote in the case of appropriations from the Statutory Budget Reserve Fund and from the Permanent Fund Earnings Reserve).

Additional options for the State to manage budget funding include reducing State expenditures, transferring spending authority among line items, providing additional incentives to develop petroleum or mining resources, reinstituting a State personal income tax or imposing other broad-based statewide taxes. Most of these options, including the imposition of personal income taxes or other taxes, would require action by the Legislature.

The General Fund. Unrestricted State revenue is annually deposited to the General Fund, which serves as the State's primary operating fund and accounts for most of the State's unrestricted financial resources. The State has, however, created more than 55 subfunds and "cash pools" within the General Fund to account for funds allocated to particular purposes or reserves, including the Constitutional Budget Reserve Fund; the Statutory Budget Reserve Fund, an Alaska Capital Income Fund, and a debt retirement fund. In terms of long-term and short-term financial flexibility, the Constitutional Budget Reserve Fund and the Statutory Budget Reserve Fund (subfunds within the General Fund) are of particular importance to the State.

The Constitutional Budget Reserve Fund. The State Constitution requires that oil and gas dispute-related revenue be deposited to the Constitutional Budget Reserve Fund. The State Constitution provides that other than money required to be deposited to the Permanent Fund, all money received by the State after July 1, 1990 as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses or involving taxes imposed on mineral income, production or property, are required to be deposited in the Constitutional Budget Reserve Fund. Money in the Constitutional Budget Reserve Fund may be appropriated (i) for any public purpose, upon the affirmative vote of three-fourths of the members of each house of the Legislature; or (ii) if the amount available to the State for appropriation for a FY is less than the amount appropriated for the previous FY; however, the amount appropriated may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous FY. The State Constitution also provides that until the amount appropriated from the Constitutional Budget Reserve Fund is repaid, excess money in the General Fund at the end of each FY must be deposited in the Constitutional Budget Reserve Fund.

The FY 2015 capital budget included a $3 billion transfer from the Constitutional Budget Reserve Fund to the Public Employees Retirement System ("PERS") and Teachers Retirement System ("TRS"). The PERS received $1 billion and the TRS received $2 billion. The impact of these deposits will be reflected in the actuarial analysis for FY 2015 to be released in June 2016. See "STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES."

The State historically has borrowed from the Constitutional Budget Reserve Fund as part of its cash management plan to address timing mismatches between revenues and disbursements within a FY and also to balance the budget when necessary at the end of the FY. Prior to draws in FY 2015, the Legislature had last appropriated funds from the Constitutional Budget Reserve Fund in FY 2005. As of June 30, 2009, the balance owed by the General Fund to the Constitutional Budget Reserve Fund for draws prior to 2005 was completely repaid.

The balance in the Constitutional Budget Reserve Fund as of June 30, 2013 was $11.6 billion, with earnings of $618.1 million. The balance in the Constitutional Budget Reserve Fund as of June 30, 2014 was $12.8 billion, with earnings of $1.0 billion. The balance in the Constitutional Budget Reserve Fund as of June 30, 2015 was $10.1 billion, with earnings of $197.7 million. The Spring 2016 Revenue Sources Book forecasted that investment earnings on the Constitutional Budget Reserve Fund will be $54.8 million in FY 2016, and based on results through April 30, 2016 earnings are expected to be above $120 million for FY 2016 and the forecast for FY 2017 is $67 million. The projected tax and royalty settlements to the Constitutional Budget Reserve are $100 million in both FY 2016 and FY 2017.

The Statutory Budget Reserve Fund. The Statutory Budget Reserve Fund has existed in the State's accounting structure since 1986, and as for most of the years it has existed is not expected to have a balance for at least the next several years. When funded, the Statutory Budget Reserve Fund is available for use for legal purposes with a simple majority vote of the Legislature and with approval by the Governor. If the unrestricted amount available for appropriation in the fiscal year is insufficient to cover General Fund appropriations, the amount necessary to balance revenue and General Fund appropriations or to prevent a cash deficiency in the General Fund was appropriated from the Statutory Budget Reserve Fund to the General Fund. For FY 2015, this resulted in a year-end transfer from the Statutory Budget Reserve Fund to the General Fund of $2.5 billion. As of June 30, 2015, the Statutory Budget Reserve Fund held $288 million. The market value of the Statutory Budget Reserve Fund as of October 31, 2015 was zero due to transfers to the general fund for expenditures. Any earnings on the Statutory Budget Reserve Fund are considered unrestricted investment revenue and flow to the General Fund. Current fiscal year market values and stated returns are unaudited, preliminary, and include some estimates.

The Alaska Permanent Fund. The Permanent Fund was established by a voter-approved Constitutional amendment that took effect February 21, 1977. The amendment provides that "at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments" and that "all income from the permanent fund shall be deposited in the General Fund unless otherwise provided by law."

In 1980, legislation was enacted that provided for the management of the Alaska Permanent Fund by the Alaska Permanent Fund Corporation, a public corporation and government instrumentality within the DOR, managed by a board of trustees. The same legislation modified the contribution rate to the Permanent Fund from 25 percent (the minimum constitutionally mandated contribution) to 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares, federal mineral revenue sharing payments and bonuses received by the State from mineral leases issued after December 1, 1979 or, in the case of bonuses, after May 1, 1980. The statutory contribution rate was changed back to 25 percent by legislation as of July 1, 2003 but then returned to 50 percent as of October 1, 2008. For FY 2015, State oil and mineral revenues deposited into the Permanent Fund were $600 million compared to $779 million in FY 2014. In addition to these constitutionally and statutorily mandated transfers to the Permanent Fund prior to FY 2006, the Legislature has made special appropriations from the State's General Fund to the Permanent Fund several times, totaling in the aggregate approximately $2.7 billion as of June 30, 2015.

The Permanent Fund tracks earnings on a GASB basis in the compilation of the financial statements of the Fund. Fund balance consists of two parts: (1) principal, which is non-spendable, and (2) earnings reserve, which is spendable with an appropriation by the Legislature. By statute, only realized gains are deposited into in the earnings reserve, thus unrealized gains and losses associated with principal remain allocated to principal. Because realized gains deposited into the earnings reserve account are invested alongside the principal, however, the unrealized gains and losses associated with the earnings reserve are spendable with an appropriation of the Legislature.

Pursuant to legislation enacted in 1982, annual appropriations are made from the earnings reserve of the Permanent Fund, first for dividends to qualified Alaska residents and then for inflation-proofing. Between 1982 and 2015, $23 billion of dividends ($2,072 per person, for a total of approximately $1.3 billion, in FY 2015, a 10% increase compared to FY 2014) were paid to Alaska residents and $16.2 billion of Permanent Fund income has been added to principal for inflation proofing purposes (for FY 2015 the inflation proofing transfer was $624 million, up from the FY 2014 amount of $546 million). In addition to the statutorily directed inflation proofing transfers, the Legislature has made special appropriations from the earnings reserve account of the Permanent Fund to the principal balance of the Permanent Fund, totaling approximately $4.2 billion as of June 30, 2015.

If any income remains after these transfers (except the portion transferred to the Alaska Capital Income Fund as described below), it remains in the Permanent Fund's earnings reserve as undistributed income. The Legislature may appropriate funds from the earnings reserve at any time for any other lawful purpose. The principal portion of the Permanent Fund ($45.6 billion as of June 30, 2015, up from $45.0 billion as of June 30, 2014) may not be spent without amending the State Constitution. The earnings reserve portion of the Permanent Fund ($7.2 billion as of June 30, 2015, up from $6.2 billion as of June 30, 2014) may be spent with a simple majority vote of the Legislature. The Permanent Fund has an unaudited balance of $53.16 billion as of April 30, 2016.

During FYs 1990 through 1999, the Permanent Fund received dedicated State revenues from settlements of a number of North Slope royalty cases (known collectively as State v. Amerada Hess, et al.). The total of the settlements and retained income thereon, as of June 30, 2015, is approximately $424 million.

Earnings on the settlements are excluded from the dividend calculation in accordance with State law and beginning in 2005, the settlement earnings have been appropriated to the Alaska Capital Income Fund, a subfund within the General Fund. Funds in the Alaska Capital Income Fund and interest thereon (approximately $24.0 million in FY 2015) are unrestricted and have been appropriated for capital expenditures.

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Table 4

State of Alaska
Available Funds and Recurring and Discretionary General Fund Expenditures
FYs Ended June 30, 2004-2015

FORECAST for FYs Ending June 30, 2016-2017
($ millions)

FY	General Purpose Unrestricted Revenue (1)	Recurring & Discretionary General Fund Expenditures (2)	Surplus/ (Deficit)	Net Draw on CBRF	CBRF Available Balance (5)	Perm. Fund Earnings Reserve (6)
2004	$2,346	$2,319	$26	$0	$2,064.2	$859.3
2005	3,189	2,646	543	0	2,235.7	1,439.9
2006	4,200	3,247	953	0	2,267.1	2,584.8
2007	5,159	4,272	886	0	2,549.0	4,132.0
2008	10,749	5,473	5,256	0	5,601.0	4,969.0
2009	5,831	6,000	(169)	0	7,114.4	440.6
2010	5,515	4,995	520	0	8,664.0	1,209.8
2011	7,673	6,355	1,318	0	10,330.0	2,307.8
2012	9,485	7,252	2,233	0	10,642.4	2,080.6
2013	6,929	7,455	(526)	0	11,564.4	4,053.8
2014	5,394	7,314	(1,920)	0	12,779.7	6,211.3
2015	2,257	4,760	(2,503)(4)	(2,876)(3)	10,101.4	7,162.4
F 2016 (7)	1,337	4,971	(3,634)	(3,125)(3)	6,976.4	7,744.2
F 2017 (7)	1,246	4,816	(3,570)	(3,370)(3)	3,606.4	7,510.0

(1) State of Alaska Department of Revenue, Tax Division. FY 2016 & 2017 forecast based on Spring 2016 Revenue Sources Book.

(2) Excludes amounts set-aside to fund programs and reserve deposits. State of Alaska Office of Management & Budget. FY 2016 & 2017 forecast based on General fund expense projections from budget summary in FY 2017 10-year Plan.

(3) Net draws for FY 2015 (transfer to the State of Alaska pension system) differ from borrowing reported in the State's financial statements due to restricted revenue and cash accounting impact. Net draws for FY 2016 & 2017 include projections for investment earnings and tax and royalty settlements.

(4) SBRF was used to balance the FY 2015 deficit, with $288 million remaining at June 30, 2015 per the State of Alaska FY 2015 CAFR. In FY 2016, the remaining balance in the SBRF was transferred to the General Fund. Net draw forecast for FY 2016 and FY 2017 depict the use of the CBRF to balance the budget; however, actual funding source to balance any projected budget shortfall may differ. See "Government Funds – The Statutory Budget Reserve Fund."

(5) CBRF available balance represents the market value and the projected market value of the Constitutional Budget Reserve Fund.

(6) Projection for the Permanent Fund Earnings Reserve as of APFC's April 30, 2016 release of Fund Financial History & Projections, with current month's market value used as ending projection for FY 2016.

(7) FORECAST derived from the Spring 2016 Revenue Sources Book, Department of Revenue, Tax Division with best information available at that time.

Source: State of Alaska Department of Revenue

Restricted Revenue Forecast

The State regularly prepares forecasts of restricted revenue generation. Table 5 provides a summary of the State's most recent restricted revenue forecasts from FY 2016 through 2025. Of necessity, the forecasts include assumptions about events that are not within the State's control.

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Table 5

State of Alaska Restricted Revenue For Savings
Actuals through 2015 and Forecast Summary
FYs Ending June 30, 2016 through 2025[(1)]
(millions)

FY	CBRF Investment Earnings	Tax & Royalty Settlements to CBRF	Alaska Permanent Fund Investment Revenue [(2)]	Alaska Permanent Fund Dedicated Oil Revenue[(3)]	Total State Revenue Currently Restricted for Reserves
2011	$1,026.9	$167.3	$6,812.0	$887.0	$8,893.2
2012	191.1	102.1	(100.0)	915.0	1,108.2
2013	618.2	176.6	4,314.0	840.0	5,948.8
2014	1,006.1	141.4	6,848.0	779.0	8,774.5
2015	197.7	149.0	2,383.9	600.0	3,330.6
Projected					
2016	120.9	100.0	(2,082.0)	225.0	0.0
2017	99.8	100.0	3,311.0	219.0	3,729.8
2018	40.2	100.0	3,450.0	244.0	3,834.2
2019	0.0	100.0	3,603.0	280.0	3,983.0
2020	0.0	100.0	3,774.0	296.0	4,170.0
2021	0.0	100.0	3,959.0	299.0	4,358.0
2022	0.0	100.0	4,148.0	278.0	4,526.0
2023	0.0	100.0	4,345.0	260.0	4,705.0
2024	0.0	100.0	4,549.0	242.0	4,891.0
2025	0.0	100.0	4,760.0	226.0	5,086.0

(1) This table displays actual results for FYs 2011 through 2015, and forecasted amounts for FYs 2016 through 2025. Forecasts are derived from the Spring 2016 Revenue Sources Book for the CBRF and APFC dedicated oil revenue, with updates to Investment Earnings of the CBRF through April 30, 2016. APFC investment revenue is derived from Alaska Permanent Fund Corporation's April 30, 2016 Fund Financial History and Projections. The table reflects the State's statutory requirement to restrict a significant portion of FY revenues and investment earnings.

(2) Both realized and unrealized gains and losses are included per GASB 34 as interpreted by the Finance Division of the Department of Administration in its *Comprehensive Annual Financial Report*. The value for Alaska Permanent Fund Corporation's (APFC) Investment Revenue (GASB) for FY 2015 uses the accounting (GAAP) net income as of June 30, 2015. APFC mid case projections, as of April 30, 2016, are used for FY 2016 through 2025.

(3) Comprised of 50% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State. 50% of this amount is restricted by the Constitution and 50% is restricted by Statute.

Sources: State of Alaska Department of Revenue, Tax Division and State of Alaska Office of Management and Budget Forecasts from the Spring 2016 Revenue Sources Book for the CBRF. Alaska Permanent Fund Corporation forecasts are based on the Monthly Financial Report for April 30, 2016.

General Fund Forecasts

The State regularly prepares General Fund financial forecasts for planning and budgetary purposes. Table 6 provides a summary of the State's most recent General Fund revenue and expenditure forecasts, including forecast beginning and ending balances of available funds in the Constitutional Budget Reserve Fund and Permanent Fund Earnings Reserve through 2025 and forecast oil prices and production levels during the same time period.

Of necessity, such forecasts include assumptions about events that are not within the State's control. The forecast oil production volumes include only production on State land and only current production and production expected from projects currently under development or evaluation on State land. The forecast does not include any revenues that could be received if a natural gas pipeline is constructed. In making its forecasts, the State makes assumptions about, among other things, the demand for oil and national and international economic factors and assumes that the Legislature will not amend current laws to change materially the sources and uses of State revenue and that no major calamities such as earthquakes or catastrophic damage to TAPS will occur. Portions of TAPS are located in areas that have experienced and may in the future again experience major earthquakes. Actual revenues and expenditures will vary, perhaps materially, from year to year, particularly if any one or more of the assumptions upon which the State's forecasts are based proves to be incorrect or if other unexpected events occur. See "Government Funds" for a description of some of the actions the State can take when revenues prove to be lower than expected.

Table 6

State of Alaska Unrestricted General Fund and Budget Reserve Scenario
FYs Ending June 30, 2016 through 2019[(1)]

FY	General Purpose Unrestricted Revenues ($mil)	Recurring & Discretionary General Fund Expenditures ($mil) [(1)]	Unrestricted Revenue Surplus/ (Deficit) ($mil)	Ending CBRF Reserves Available Balance ($mil)	Permanent Fund Earnings Reserve Balance ($mil) [(2)]	Oil Price Forecasts ($/barrel)	ANS Oil Production Forecasts (thousand barrels per day)
2016	$1,336.8	$4,970.5	($3,633.7)	$6,976.4	$7,744.2	$39.99	520.2
2017	1,246.5	4,816.4	(3,569.9)	3,606.4	7,510.0	38.89	507.1
2018	1,346.3	4,717.5	(3,371.2)	375.4	7,881.0	43.79	488.8
2019	1,445.9	4,722.9	(3,277.0)	0.0	5,650.4	48.89	484.4

(1) This table represents one possible scenario taken from the revenue and expenditure projections as of the Spring 2016 Revenue Sources Book release for revenues, and general fund expense projections used in the budget summary in the FY 2017 10-year Plan. Projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY 2016, FY 2017 or any future year. The forecasts show that unanticipated budget shortfalls during the period presented could be filled primarily through use of reserve funds; however, other fiscal tools including spending reductions and the State's fund structure would likely be used in addition to, or in lieu of, reserve funds.

(2) FY 2016 Permanent Fund Earning Reserve Fund Balance uses current value as of April 30, 2016. FY 2017 through 2019 Permanent Fund Earnings Reserve Balance uses mid-case projections as of Alaska Permanent Fund Corporation's April 30, 2016 Monthly Financial Report, and forecasts available at that time. The anticipated deficit for FY 2019 reflects a projected appropriation from the Permanent Fund Earnings Reserve to balance the State budget; however, APFC's forecasted net change to the assigned balance has not been adjusted for a draw from the fund. Includes estimated draw from the Permanent Fund Earnings Reserve Balance in the amount of $2,801.6 million.

Sources: State of Alaska Department of Revenue, Tax Division and State of Alaska Office of Management and Budget. Forecasts from the Spring 2016 Revenue Sources Book for the CBRF, oil price, production and unrestricted revenue. Alaska Permanent Fund Corporation forecasts are based on the Monthly Financial Report for April 30, 2016.

As reflected in Table 6 projecting the State's historical definition of general purpose unrestricted revenue, maintaining an Alaska Permanent Fund Dividend distribution to residents, maintaining a relatively flat recurring and discretionary general fund expenditure level, and not relying on the Permanent Fund's Earning Reserve becomes unsustainable in FY 2019. The Governor has proposed, as described in "Fiscal Year 2017 10-Year Plan", and the Legislature is currently considering a fiscal plan to redefine general purpose unrestricted revenue to include other sources and diminish recurring and discretionary general fund expenditures. Although it is uncertain if the fiscal plan will be adopted in whole or part, it provides for a sustainable budget as reflected in Table 7.

General Fund Expenditure Trends

From FY 2005 through FY 2015, recurring Unrestricted General Fund expenditures have grown by an average of 5.1% annually. A significant portion of the expenditures during this time frame was for savings, to forward-fund future FY obligations as well as making targeted capital investments. More recently expenditure trends have reversed with FY 2013 through FY 2015 Unrestricted General Fund expenditures diminishing by an annualized rate of over 3.6%. The enacted FY 2016 budget included approximately $4.954 billion in Unrestricted General Fund appropriations.

The Governor's proposed FY 2017 Unrestricted General Fund expenditure authorizations presented to the Legislature authorizes $5.556 billion of spending comprised of $5.406 billion of operating costs and $150.3 million of capital items. The Alaska Legislature approved an FY 2017 budget on May 31, 2016 that appropriates $4.417 billion in conjunction with $642.1 million of supplementary spending in FY 2016. The bill is awaiting transmittal to the Governor, who will then have the ability to exercise his line item veto on that budget. The Legislature can choose to challenge those vetoes or to accept the post-veto budget as final.

Fiscal Year 2017 10-Year Plan

The Executive branch is obligated by statute to provide a 10-year plan on an annual basis. This plan is provided in complete form on the Office of Management and Budget's website.

The FY 2017 10-Year Plan includes an explanation of Governor Walker's fiscal plan, "The New Sustainable Alaska Plan". The Governor introduced the plan in response to the decline in the price of oil and correlated decrease in oil and gas revenue that the State has historically used to provide for the vast majority of unrestricted general fund spending. The plan includes the five strategies of reducing government spending, supporting key investments for Alaska's future, transition to a sovereign wealth approach for funding government, adjust existing and implement new taxes, and maximize additional revenue sources.

The first strategy emphasizes a lean spending plan scrutinizing all operations and programs to create a more cost-effective delivery of public services. State general fund spending has decreased 37 percent since FY 2013, from $8 billion to $5 billion. The FY 2016 budget implements agency operating reductions of $400 million (10 percent) and resulted in approximately 600 fewer state employees, and the Governor's FY 2017 budget proposes another $140 million reduction in agency operating cuts, although the Legislatively approved budget makes cuts that are closer to $600 million compared to FY 2016. Action items include reducing executive agency and legislative operating costs, privatize some government services, target cross agency efficiencies to improve services and reduce costs, and reform the oil and gas tax credit system to reduce state expenditures, reward Alaskan hire, and build a new system of direct loans. In addition to efforts of the Executive Branch, the Legislature is likewise considering a variety of budgetary reductions including elimination or diminishing roles of state agencies, state public corporations, state grant programs, or other items historically funded by the State budget.

The second strategy maintains a strategic commitment to key investments in Alaska's future, spending to protect existing infrastructure, effective public education, ensure earliest possible new revenue streams through a natural gas pipeline project, and create economic stimulus with pipeline pre-construction and construction jobs. The strategy vigorously pursues an Alaska liquefied natural gas project, establishes a capital budget using general obligation bonds in 2016 and 2018 to support only those funding requirements that would otherwise require cash payments, like transportation matches and disciplined deferred maintenance investments, and only re-introduce a sustainable general fund capital budget after stabilizing the operating budget. The Legislature is not considering a general obligation bond authorization at this time and no additional general obligation authorization is expected.

The third strategy transitions the State to a sovereign wealth approach, using financial assets in a calculated, formulaic, sustainable way, to provide a stable source of revenue. The transition re-works the flow of funding in the state's fiscal structure by diverting volatile resource revenue away from being the primary sources of funding for the State's annual budget and putting it directly into the Permanent Fund. A transfer of approximately $3 billion from the Constitutional Budget Reserve Fund into the Earnings Reserve on a one-time basis to provide the initial starting balance is required to permit a sustainable draw. The approach provides a stable and consistent withdrawal from the earnings of the Permanent Fund, while still allowing the Permanent Fund to grow over time. The current dividend program in Alaska is largely tied to performance of the global equity market, not resource development. The New Sustainable Alaska Plan would tie dividends directly to the State resource revenue by distributing a 50 percent share of annual natural resource royalty revenue as dividends to Alaskans. The proposal sets a 2016 transitional dividend at $1,000; but dividends are expected to remain in the $1,000 range going forward based on current estimates of future royalty revenues. The remaining 50 percent of annual natural resource royalties and 100 percent of production tax revenues will go into the Permanent Fund. Investment earnings from the fund will continue to flow to the Earnings Reserve as they do today. The Legislature continues to consider this framework in Special Session, but already appropriated the full dividend amount based on the historical formula for the 2016 distribution in the FY 2016 budget. The Legislatively approved FY 2017 budget did not include an appropriation for the calendar year 2017 dividend, a break from historical practice. On June 13, 2016 the Alaska Senate approved SB 128 restructuring the Alaska Permanent Fund earnings and calculation of permanent fund dividends. If approved, SB 128 would diminish the calendar year 2016 dividend.

The fourth strategy adjusts and implements new taxes to close the remaining gap using a balanced suite of targeted and broad-based taxes; as well as cross-industry tax adjustments, to include the tightening of current tax loopholes. Participation is expected from oil and gas, mining, fishing, tourism, Alaskans, and non-resident workers. Despite anticipated changes, the tax burden on individual Alaskans will still remain among the lowest in the nation. The New Sustainable Alaska Plan calls for an increase to alcohol, tobacco, and motor fuel taxes, and implementation of an income tax based on a percentage of federal tax liability. The plan also calls for the modification of the state's oil and gas tax credit system to reduce those expenditures, while honoring existing claims and continuing to provide meaningful development assistance. Other than the already approved House Bill 247 diminishing state oil and gas tax credits, the Legislature continues to consider this legislation in Special Session.

The fifth strategy calls for maximization of other revenue sources. Action items include leveraging Federal matching funds for transportation and Medicaid to serve Alaskans and to strengthen the state's private economy, assure revenue plans are developed when programs are introduced, and maximize dividends from state corporations.

At this time it remains uncertain to what extent, if any, the Fiscal Year 2017 10-Year Plan will be adopted by the Legislature. In addition to the Governor's plan, members of the Legislature have also introduced legislation to both change how the State utilizes revenue historically restricted by custom and generate new revenue through taxation. The legislative leadership has also publicly declared their focus on diminishing the level of State spending prior to considering increasing revenue measures. The Fiscal Year 2017 budget was approved by the Legislature on May 31, 2016, but may not be finally adopted and reviewed by the Governor until after as late as June 30, 2016. An updated Fiscal Year 2018 10-Year Plan is expected to be adopted in December of 2016. The Fiscal year 2017 10-Year Plan does not include the forecasts contained in the Spring 2016 Revenue Sources Book.

The following Table 7 summarizes forecasted revenue detail and budget outlays from FY 2016 through 2026 as contained in the Fiscal Year 2017 10-Year Plan.

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Table 7

State of Alaska
Forecast Summary of the State Budget & Proposed Revenue Detail

FY 2017 10-year Plan, Office of Management & Budget

FYs Ending June 30, 2016-2026
($ millions)

	FY 2016 Management Plan	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
Existing Revenue											
Oil & Gas Royalty	$650.5	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Oil & Gas Production Tax	172.1	-	-	-	-	-	-	-	-	-	-
All Other Unrestricted Revenue	770.4	839.5	904.3	932.6	946.5	1,000.0	1,040.0	1,081.6	1,124.9	1,169.9	1,216.7
Total Existing Revenue	1,593.0	839.5	904.3	932.6	946.5	1,000.0	1,040.0	1,081.6	1,124.9	1,169.9	1,216.7
New Revenues											
Mining	-	10.0	12.0	12.3	12.8	13.3	13.8	14.4	14.9	15.5	16.1
Fishing	-	19.0	20.0	20.5	21.3	22.1	23.0	23.9	24.9	25.9	26.9
Tourism	-	14.0	15.0	15.3	16.0	16.6	17.3	17.9	18.7	19.4	20.2
Motor Fuel	-	44.0	44.0	45.0	46.8	48.7	50.6	52.6	54.7	56.9	59.2
Alcohol	-	38.0	39.0	39.9	41.5	43.1	44.9	46.7	48.5	50.5	52.5
Tobacco	-	25.0	25.0	25.6	26.6	27.6	28.8	29.9	31.1	32.3	33.6
Oil & Gas	-	100.0	100.0	102.3	106.3	110.6	115.0	119.6	124.4	129.4	134.6
Individual Income Tax	-	100.0	195.0	199.4	207.4	215.7	224.3	233.3	242.6	252.3	262.4
Total New Revenues	**-**	**350.0**	**450.0**	**460.3**	**478.7**	**497.7**	**517.7**	**538.3**	**559.8**	**582.2**	**605.5**
Earnings Reserve Draw	**-**	**3,300.0**	**3,300.0**	**3,300.0**	**3,372.0**	**3,445.6**	**3,520.9**	**3,597.9**	**3,676.6**	**3,757.0**	**3,839.3**
Annual Earnings Draw[1]	**-**	**-**	**135.0**	**130.2**	**123.1**	**141.6**	**159.0**	**193.8**	**198.9**	**200.3**	**175.0**
Gasline Revenue[2]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,500.0**
Draw on Savings	**3,377.5**	**426.9**	**28.2**	**-**	**-**	**-**	**-**		**-**	**-**	**-**
Total Revenue	**$4,970.5**	**$4,916.4**	**$4,817.5**	**$4,823.1**	**$4,920.3**	**$5,084.9**	**$5,237.6**	**$5,411.6**	**$5,560.2**	**$5,709.4**	**$7,336.5**
Total Budget[3]	**$4,970.5**	**$4,816.4**	**$4,717.5**	**$4,722.9**	**$4,820.1**	**$4,984.9**	**$5,137.5**	**$5,311.5**	**$5,460.1**	**$5,609.4**	**$6,022.2**

(1) On savings and other cash balances - may require attention to corporate dividends such as Alaska Housing Finance Corporation and Alaska Industrial Development and Export Authority beginning in FY2021
(2) Gasline revenues after cost for financings expected to start in 2026 will be redirected to the Permanent Fund
(3) For simplicity only management plan expenditures are shown. Supplemental budgets occur regularly but are unpredictable. Revenue in excess of spending would be the source for supplementals.
(4) Projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY2016 or any future year.

Source: Fiscal Year 2017 10-Year Plan.

Other Funds Maintained by the State

The State maintains other types of funds, such as Enterprise Funds, Trust and Agency Funds, Capital Projects Funds and Special Revenue Funds.

Enterprise Funds are operated by the State for "self-supported" activities that provide goods and/or services to the public on a charged payment basis. The International Airports Revenue Fund and a number of State loan program funds are Enterprise Funds.

Trust and Agency Funds are maintained to account for assets held by the State acting in the capacity of custodian or fiduciary agent. In addition to the Permanent Fund and the retirement systems funds, major funds in this category include the Public School Trust Fund, the Mental Health Trust Fund, the Alaska Children's Trust Fund, the Power Cost Equalization Endowment and the University of Alaska Endowment.

Capital Projects Funds account for the use of the proceeds of general obligation bond issues and matching federal funds for capital outlays. In general, all capital outlay projects are accounted for through Capital Projects Funds except capital projects being financed by the General Fund through direct appropriations and capital projects financed with moneys in the International Airports Revenue Fund.

Special Revenue Funds are maintained in connection with the State's issuance of revenue bonds, such as revenue bonds issued by the Alaska International Airports System and the Sport Fishing Revenue Bonds.

State Ownership of Land and Natural Resources

Alaska includes approximately 586,412 square miles (approximately 365 million acres) of land and is the largest state in the United States, roughly equivalent in size to one-fifth of all of the other 49 states combined. Unlike the other 49 states, where significant portions of the land may be owned by individuals or entities in the private sector, less than one percent of the land in Alaska is owned by private, non-Alaska Native owners.

In 1959, when Alaska became a state, 99.8 percent of the land was owned by the federal government. The Statehood Act, as modified by the Alaska Land Transfer Acceleration Act of 2004, gave the State the right to select and acquire approximately 105.5 million of the nearly 365 million acres of federal lands in Alaska. As of December 31, 2015, close to 95 percent, or approximately 100 million acres, of this grant has been conveyed to the State. In addition, the State owns approximately 65 million acres of submerged and tide lands, some of which overlie areas with the potential for natural resource production.

Land ownership in Alaska is also shaped by the Alaska Native Claims Settlement Act ("ANCSA") enacted by Congress in 1971. Under ANCSA, 13 regional corporations and more than 200 village corporations were established with Alaska Natives as their shareholders and beneficiaries. These corporations were authorized to select approximately 44 million acres of federal lands and the associated subsurface and surface rights for transfer into their ownership.

In summary, Alaska Natives and ANCSA corporations own approximately 13 percent of Alaska lands, the State owns approximately 26 percent, and the federal government owns approximately 60 percent, with less than one percent of Alaska lands owned by private, non-Native owners. As described below, the State obtains significant revenues from companies that lease State-owned lands for extraction of oil, natural gas, coal, gold, silver, zinc, copper and other minerals and shares with the federal government revenues from oil, natural gas and other assets extracted from federal lands leased by private companies.

Additionally, the State receives indirect benefits and tax revenues from development and activity on ANCSA corporation-owned lands.

For State land, Article 8, Section 1 of the State Constitution provides that, "it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest." The DNR is the State entity entrusted with executing this objective on the approximately 165 million acre upland and tideland portfolio. Consequently DNR has a stewardship and public trust responsibility for all State-owned land, water and resources in addition to regulatory responsibilities on private lands.

As part of this work, DNR manages the State's mineral, coal, oil and gas, geothermal, timber, material and water resources, provides land use authorizations for surface activities on State land, receives title from the federal government in accordance with the Statehood Act and the Alaska Land Transfer Acceleration Act and conveys land to private purchasers. DNR manages and distributes a large volume of technical data, public records, land records and geospatial information.

Oil and Gas Reserves. The majority of the State's annual revenues have been generated from oil exploration and production since 1968, when the first large oil and gas reservoir on the Arctic Coast was discovered. To enable the production of this resource, the TAPS, an 800-mile, 48-inch crude oil pipeline from the State's Arctic Coast to Valdez in south-central Alaska was constructed in the 1970s and came online in 1977. This nationally important piece of infrastructure has transmitted approximately 17.7 billion barrels of crude oil from the North Slope of Alaska to market through calendar year 2015.

At peak production levels in 1988, over 2 million barrels per day were flowing through TAPS from the Prudhoe Bay field, the Kuparuk field (the State's second largest oil-producing area), as well as from the Endicott and Lisburne satellite fields.

The Alaska North Slope continues to see new oil being produced from reworking existing fields, as well as new developments that will bring future production. This new production on the North Slope has helped to offset some of the volume decline since the 1988 peak. The DOR Spring 2016 forecast for North Slope crude oil production is 520,200 barrels per day in FY 2016 and 507,100 in FY 2017.

In the DOR Spring 2016 Revenue Sources Book, the State forecasted that crude oil production on the North Slope will continue to decline over the 10 year forecast period to 302,100 barrels per day by FY 2025.

In 2012, the DOR began reporting future production as a risk-weighted value in order to account for the risk involved in bringing new projects online as an appropriate measure to prepare the State's budget. In 2013, the DOR further reduced forecast production due to the increase in natural gas liquids re-injection, more extensive maintenance projections, and reduced oil well performance and recovery response expectation. While this ensures conservative financial planning further into the future, the DOR projected high production case indicates that production could be as high as 377,000 barrels of oil per day in 2035 under the right economic conditions. Production could also be higher with technological breakthroughs or major changes in current conditions. The State does not include any potential production from the Arctic National Wildlife Refuge ("ANWR") or other fields yet to be discovered in its forecasts. In January 2015, the Obama Administration proposed designating 12 million acres of the ANWR as a protected wilderness area, thereby permanently precluding oil extraction. Only Congress can authorize such designation. No statement is made as to the outcome of this proposal.

FY 2015 capital expenditures on the North Slope of about $4 billion were the highest in at least a decade. Capital expenditure on the North Slope is forecast to decrease by 8-9% per year in FY 2016 and

FY 2017. For most companies, at least some development drilling, exploration or other projects are being deferred until oil prices improve. However, at the same time, companies have proceeded with major projects that were currently in progress, such as development of the Point Thomson field, CD-5 (Alpine West), Mustang, and Moose's Tooth. Development drilling also continues in most major currently producing area.

Oil production from the smaller fields within the Cook Inlet Basin, in south-central Alaska, has increased for the last five years as new participants enter the Alaska market. Some of these fields have now been in production for over 60 years, but new discoveries in the basin continue to be made. Cook Inlet production has grown from 8,900 barrels per day in 2010 to 18,000 barrels in 2015. The State does not attempt to forecast projects under development or under evaluation for Cook Inlet at this time. Currently producing areas are forecasted to decline down to 9,000 in 2025 although it is highly likely that new projects will continue to trend upward and that 2025 production will be much higher.

Alaska also features immense potential for future production from known (discovered but undeveloped) and unknown (undiscovered) hydrocarbon resources on the North Slope. To highlight the potential of Alaska's North Slope it is often compared to the State of Wyoming. The North Slope is approximately the same size as the State of Wyoming, but while Wyoming has had approximately 19,000 exploratory wells drilled, the North Slope has had fewer than 600. In August 2007, the U.S. Department of Energy ("DOE") released "Alaska North Slope Oil and Gas: A Promising Future or an Area in Decline?" – a report that assessed the potential for Alaska to remain a major producer of oil and gas under various development scenarios. The report examined near-term potential (2007-2015) and long-term potential (2015-2050). According to the report, the North Slope is a relatively underexplored petroleum province that may provide oil and increasingly, natural gas, for years to come.

The 2007 U.S. DOE report evaluated geologic and commercial viability of future oil and gas production from five areas or provinces: 1) the State-owned area between the Colville and Canning Rivers (and adjacent State waters), 2) the "1002" area of the Arctic National Wildlife Refuge, 3) the National Petroleum Reserve in Alaska ("NPR-A"), 4) the Beaufort Sea Outer Continental Shelf ("OCS"), and 5) the Chukchi Sea OCS.

Under the most optimistic scenario, DOE reported mean technically recoverable oil resources of 38.2 billion barrels and mean technically recoverable gas resources of 186.5 trillion cubic feet ("TCF") from these five areas. The State benefits from the production of federal oil within the State (especially in the NPR-A, where the State is entitled to 50 percent of all royalties, bonuses and rents) and benefits to some extent from the production of federal oil from non-State lands shipped through TAPS. These estimates are not included in the DOR's projections of oil production from the North Slope.

In the next ten years, the State anticipates new developments on State and federal lands, both of which benefit the State. Many of the opportunities to add production from State lands are from expanded heavy and viscous oil development, shale oil, continued satellite development at Alpine, and continued developments at Oooguruk and Nikaitchuq.

The Point Thomson field, 20 miles east of the existing Badami development, together with three known satellite fields, is estimated to hold more than eight TCF of gas reserves and more than 500 million barrels of liquid hydrocarbons. Production at Point Thomson began in FY 2016 with daily production of approximately 10,000 barrels per day. Another new field that may begin production is Umiat, first discovered in 1946 by the U.S. Navy. It is estimated to have one billion barrels of oil in place with approximately 200 million recoverable barrels. It has not been developed due to its remoteness, but production at the Umiat field could provide significant production volumes going forward.

The State continues to see strong interest in bidding on leases of State land for oil and gas exploration and production on the North Slope and Cook Inlet. On November 18, 2015, the State received 134 valid bids for North Slope leases from 3 different bidding groups, resulting in 131 tracts sold encompassing 186,400 acres. Bidders included major international producers and established independent companies. Winning bids totaled more than $9.5 million.

In 2015, no bids were placed in the Alaska Peninsular, Beaufort Sea, and North Slope Foothills areas. In May 2015, the State received 8 bids and sold 7 tracts comprising 20,839 acres in Cook Inlet for $671 thousand.

Natural Gas Pipeline Developments. Natural gas development on the Alaska North Slope has been limited because a pipeline to transport recovered natural gas to market outside Alaska has never been constructed. As a result, natural gas produced in conjunction with oil production on the North Slope is not yet sold commercially in significant volumes. Most of the produced gas is re-injected into the North Slope oil fields for use in enhanced oil recovery projects at the Prudhoe Bay field or at the Kuparuk field while some is used on site or is sold to the TAPS and used to heat field camps, run electrical generators or power the TAPS pump stations. Although there are currently an estimated 35 TCF of known contingent gas resources on the North Slope, mostly in the Prudhoe Bay and Point Thomson fields, geologic estimates for the greater Alaska region by the U.S. Geological Survey (onshore and state waters) and the Bureau of Ocean Energy Management (Outer Continental Shelf waters) place the amount of undiscovered technically recoverable resources at more than 200 TCF.

The State's production tax and royalty provisions apply to natural gas products as well as to oil, and the State's long-term financial planning is based in part on efforts to develop natural gas resources as oil production declines. See "State Revenues—Oil and Gas Revenues" herein.

To spur commercialization of Alaska natural gas, the Legislature enacted the Alaska Gasline Inducement Act ("AGIA") in 2007. In August 2008, following an extensive application and evaluation process, the Legislature authorized the State to award an AGIA license to TransCanada Alaska, a wholly-owned subsidiary of the TransCanada Corporation ("TransCanada"). TransCanada partnered with ExxonMobil, one of the three major North Slope producers.

Pursuant to the AGIA license, TransCanada committed to initiate pre-development activities and to obtain necessary permits to build a 1,715-mile natural gas pipeline from a natural gas treatment plant at Prudhoe Bay to the Alberta Hub in Canada. Under AGIA, the State had agreed to provide matching funds of up to $500 million to reimburse TransCanada for a portion of the development costs of the proposed pipeline. The AGIA license obligated TransCanada to complete certain predevelopment and regulator steps but did not require them to proceed with construction. The project conducted its initial open season in 2010, receiving multiple bids from potential shippers. In 2012, TransCanada, ExxonMobil, ConocoPhillips and BP formally agreed on a work plan under the AGIA framework and pertinent milestones to explore and develop a concept for a liquefied natural gas project and associated pipeline to Southcentral Alaska.

In January of 2014, a Heads of Agreement ("HOA") was signed by the Commissioners of the DNR and DOR with ExxonMobil, BP, and ConocoPhillips, expressing an agreement to advance a proposed Alaska LNG ("AKLNG") project, which would transport natural gas from the North Slope to provide gas to Alaskans and then to tidewater in Cook Inlet where it would be liquefied and be one of the largest export projects of its kind in the world. Under the HOA, the State would assume a 20%-25% equity share in the Alaska LNG Project commensurate with its royalty and production tax interest in North Slope natural gas production from the Prudhoe Bay and Point Thomson fields. The HOA served as a guidance document to the Legislature during its review of legislation proposed during the 2014 Legislative session. The HOA provided that if acceptable enabling legislation was passed, the Alaska LNG Project would ramp up the

Pre-Front End Engineering Design (Pre-FEED) stage and establish a framework for negotiating multiple project-enabling agreements. Those agreements include, but are not limited to contracts for the disposition of the State gas share, individually developed joint marketing agreements for the State's share of LNG, a proposed tailored regulatory framework for the project, and expansion terms that will allow third-party access to all of the project components, including possible construction of a new LNG train at the liquefaction plant.

In 2014, the Legislature approved Senate Bill ("SB") 138, which provides the authorization for DNR to modify leases, allows the State to enter into certain commercial agreements, revises the production tax for natural gas from leases that are contributing to a North Slope gas commercialization project to allow the State to have an approximate 25% equity share in the project, authorizes a subsidiary of the Alaska Gasline Development Corporation (AGDC) to participate in in the project on behalf of the State, and makes other changes to enable progress on a large-scale, integrated LNG project. Considered enabling legislation by the HOA parties, SB 138 allowed the parties to align commercially in a Joint Venture Agreement ("JVA") signed in July 2014 and ramp up the Pre-FEED stage for the Alaska LNG project. Activities to date have included the formal filing of an application with the U.S. Department of Energy to export LNG to both free trade and non-free trade countries, key summer field season activities, additional engineering and design work, and filing of initial resource reports to the Federal Energy Regulatory Commission ("FERC"). Concurrently with the development of the AKLNG project, AGDC has progressed an alternative, smaller scale project designed to meet domestic gas demand should the larger project falter. AGDC has aligned its schedule to match the AKLNG project and new spending on the AKLNG project has been curtailed until a front end engineering and design ("FEED") decision is made on AKLNG.

In June 2014, the Department of Natural Resources and TransCanada Alaska Midstream LP signed the Precedent Agreement, which authorized TransCanada to pay upfront capital costs and hold the State's 25 percent share of ownership in AKLNG's midstream components including the gas treatment plant and pipeline.

On September 24, 2015, Governor Walker issued an executive proclamation calling the Legislature into special session. The subjects of the special session were to consider an act to monetize certain natural gas reserves through the levy of a gas reserves tax and an act making supplemental appropriations to fund the state's activities related to the development of the state's natural gas including appropriation to exercise the states option to acquire TransCanada's interest in the Alaska Liquefied Natural Gas Project. On October 23, 2015 the Governor withdrew the act to monetize certain natural gas reserves through the levy of a gas reserves tax from the call to special session. On November 4, 2015 the Legislature approved SB 3001 an act making supplemental appropriations to fund the state's activities related to the development of the state's natural gas including appropriation to exercise the states option to acquire TransCanada's interest in the Alaska Liquefied Natural Gas Project, and on November 20, 2015 Governor Walker signed the bill into law. On November 24, 2015 the state paid approximately $68.5 million to terminate the Precedent Agreement removing the direct participation of TransCanada Alaska Midstream LP from the AKLNG project.

The State is currently responsible for 25% (twenty-five percent) of the Pre-FEED costs of the AKLNG Project. If a decision to move into the FEED phase is made by the parties, the State will be responsible for 25% (twenty-five percent) of the FEED costs. If a decision to move to the construction phase is made by the parties, the State will be responsible for its royalty and gas share of the construction costs, currently anticipated at approximately 25% (twenty-five percent). The State may elect to finance all or a portion of its share of the costs of the AKLNG Project through existing State reserve funds or the issuance of debt. The current estimate of the total FEED and construction costs for the AKLNG project is $55-60 billion, and the State's share of that estimated cost would be $13.75-15 billion.

As of January 2016, the AKLNG Project team updated the legislature on the progress of the Pre-FEED stage activities. The legislature was informed that the initial design scope was 85% complete and that the team was finalizing project design/execution bases for cost and schedule estimating. The 2016 priorities included targeting a final pipeline size decision by April 2016, continuing additional field work to support FERC resource reports finalization, preparing contract strategy development and market engagement to ensure the project is globally competitive and maximizes opportunities for Alaskans. Finally, the team anticipated completing the Pre-FEED work and providing the project participants information necessary to make a FEED decision anticipated during FY 2017. During the Pre-FEED stage, the project participants are also continuing to negotiate the commercial agreements necessary to move forward with a project.

On February 17, 2016 Governor Walker and AKLNG partners ExxonMobil, BP and ConocoPhillips announced a commitment to continue to work together to explore options to advance the AKLNG project. The technical work associated with the work plan is on track to have the pre-FEED work completed in the fall of 2016. The partners acknowledged the difficult business environment that is currently being experienced.

Mineral Resources. According to USGS the State contains large amounts of the world's mineral resources including 17% of the coal, 8% of the gold, 5% of the Zinc, 4% of the copper, 3% of the lead, & 2% of the silver. Six large mines that produce zinc, gold, lead, silver, and coal are currently in operation and several other large mines are under development or exploration. There are also more than 400 smaller scale placer gold, and sand and gravel mining operations.

The six major Alaska mines are:

- Red Dog Mine, a surface mine and mill that produces zinc, lead and silver in concentrates in the Northwest Arctic Borough. It is a joint venture between Teck and an Alaska Native Corporation ("NANA Regional Corporation"). Red Dog is one of the largest zinc mines in the world, both in terms of production and reserves.
- Fort Knox Mine, owned by Kinross, has been the largest gold producer in Alaska since production began in 1996 and is located 25 miles northeast of Fairbanks.
- Pogo Mine is an underground gold mining operation that began producing gold in 2006, operated by Sumitomo Metal Mining.
- Usibelli Coal Mine, located outside Healy, in the interior of the State, is the only operating coal mine in Alaska and was established in 1943.
- Greens Creek Mine, located on Admiralty Island, in southeast Alaska near Juneau, is an underground polymetallic mine producing silver, gold, zinc and lead since 1989. It is owned by Hecla and is one of the world's top 10 silver producers.
- Kensington Gold Mine, located on the east side of Lynn Canal about 45 miles north-northwest of Juneau, is owned by Coeur Alaska. It began production in 2010.

Mining claims and prospecting sites covered approximately 3.6 million acres of Alaska in 2014, with 6,003 active Federal and 40,729 active state mining claims. State 40- and 160-acre claim staking decreased by almost 50 percent in 2014, while staking of state prospecting sites decreased by 32 percent. More than 75 percent fewer Federal claims were staked in 2014.

The total reported value of Alaska's mineral industry decreased in 2014 to $3.66 billion, more than 7% lower than its $3.95 billion value in 2013. The total value is a composite of the year's expenditures on exploration and development plus the estimated first market value of the commodities produced. Alaska's mineral production sector remained strong despite slowdowns in exploration and development spending. Zinc was the top metal produced in 2014, according to its production value of almost 44 percent of total

Alaska metal production. Gold followed at 37.5 percent, along with silver at 9.5 percent, and lead at 9.2 percent. The decreased mineral production value in 2014 compared with 2013 resulted primarily from lower metal prices. The average 2014 price for gold dropped 10.3 percent from the previous year's average, while the price of zinc rose 12.6 percent.

In calendar year 2014, the value of Alaska's large mine gross mineral production was $3.28 billion, down 4 percent compared to $3.42 billion in 2013, and $3.44 billion in 2012. Exploration expenditures in 2014 totaled $96.2 million, compared with $176 million in 2013, and $335 million in 2012. Total value spent on exploration since 1981 is estimated at $3.3 billion. The industry spent an estimated $282 million on mine construction and other capital investment in 2014, down 21.5% compared to $359 million in 2013, and $342 million in 2012. Alaska's mining industry also provided an estimated 4,400 direct mining industry jobs in Alaska in 2014, with 8,700 total direct and indirect jobs, and $620 million in total direct and indirect payroll.[1]

Mining companies are among the largest taxpayers in the City and Borough of Juneau, the Fairbanks North Star Borough, the Denali Borough and the Northwest Arctic Borough. In 2012, the estimated value of gold production in Alaska for both domestic and international markets (more than $1.5 billion) overtook the zinc production value for the first time since 1989 (when Red Dog Mine began commercial production of zinc). Even so, zinc and lead produced by Red Dog Mine accounted for approximately 41 percent of the entire value of Alaska's mineral production in 2013. Minerals are the State's second largest non-oil export commodity, behind seafood, and accounted for export value of $1.75 billion, or 34 percent of the State's non-oil export total in 2014.

Advanced exploration or development stage mineral projects in Alaska include:

- The Donlin Gold Project in southwest Alaska, a large open-pit gold deposit.
- The Chuitna Coal Project, located in the Beluga Coal Field of south-central Alaska.
- Bornite, Ambler and Lik projects in northwest Alaska, all base-metal sulfide deposits.
- The Pebble Project, an initiative to develop a copper, gold and molybdenum deposit in the Bristol Bay region of southwest Alaska.
- The Livengood gold project north of Fairbanks, which completed a feasibility study in 2013.
- The Niblack and Palmer projects in southeast Alaska, for the production of gold, silver, copper, lead and zinc.
- The Bokan Mountain project, a rare earth minerals deposit in southeast Alaska, on Price of Wales Island.
- The Graphite Creek graphite project on the Seward Peninsula north of Nome.
- The high-grade gold veins at the Terra project in the western Alaska Range.

As described below, the State's revenues from mining are derived primarily from mining license taxes, corporate income taxes, annual rentals and production royalties. Production may end over the next decade at several of the mines that currently contribute most of the State's mining-related revenue. In most cases, as is common in the industry, new resource areas are being explored for expansions and extensions of the mine life. In addition, several projects are in advanced exploration or the permitting phase. Overall, in calendar 2014, over $102.2 million of reported and estimated revenues were paid to the State and municipalities by Alaska's mineral industry, with a state total of $83.7 million, and an estimated municipality total of $18.5 million. Additional revenues went to the Mental Health Trust, and native corporations. There was an estimated $144 million in payments to Alaska Native corporations in 2014. See "State Revenues – Non-Oil Revenues."

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[1] McDowell Group, Inc. January 2015 – The Economic Benefits of Alaska's Mining Industry, 2014 Estimated

Alaska has a number of deposits of rare earth elements, which are used in magnets, batteries, refining and other metallurgical applications. Finished products in which they are critical include smart phones, hybrid cars, military hardware, advanced consumer electronics, fiber optics and windmills. Bokan Mountain, which is located in Southeast Alaska, on Prince of Wales Island near Ketchikan, has inferred resources of between 1.0 and 6.7 million metric tons. There are three other known deposits of rare earth elements located on Prince of Wales Island, as well as near Nome and Fairbanks that are currently under evaluation. The Alaska Division of Geological & Geophysical Surveys is currently engaged in a major project to detail Alaska's potential to develop rare earth elements and other strategic and critical minerals.

In 2014, SB 99 was approved providing authorization for the Alaska Industrial Development and Export Authority (AIDEA) to issue bonds to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project, and the Niblack project. The principal amount of the bonds provided by AIDEA for the Bokan-Dotson Ridge rare earth element project may not exceed $145 million. The principal amount of the bonds provided by AIDEA for the Niblack project may not exceed $125 million.

Other Major Resources. Fish and game have long been important resources in Alaska, and taxes on fish landings and processing represent a share of the State's non-petroleum revenues. With increased air and cruise services to Alaska in the last 10 years, tourism is now another important source of revenue for the State. Although passenger fee revenues are restricted revenue and not available for general appropriations, the large commercial passenger cruise vessels are subject to the State corporate income tax, the proceeds of which are unrestricted. See "State Revenues—Other Non-Oil and Non-Mineral Revenues" below.

Public Debt and Other Obligations of the State

State debt includes general obligation bonds and revenue anticipation notes, and State-supported debt includes lease-purchase financings and revenue bonds. The State also provides guarantees and other support for certain debt and operates a school debt and capital project debt reimbursement program. These programs do not constitute indebtedness of the State but do provide, annually on a subject-to-appropriation basis, financial support for general obligation bonds of State agencies and political subdivisions.

Outstanding State Debt. State debt includes general obligation bonds and revenue anticipation notes. The State Constitution provides that general obligation bonds must be authorized by law and be ratified by the voters and permits authorization of general obligation bonds only for capital improvements. The amount and timing of a bond sale must be approved by the State Bond Committee. On June 6, 2016 the State Bond Committee adopted resolutions authorizing the refinancing of up to $70 million of the 2008 Matanuska Susitna Borough State of Alaska Lease Revenue bonds, as well as refinancing up to $60 million of Alaska Housing Finance Corporation Collateralized Bonds issued as Veterans Mortgage Program Bonds that carry the general obligation pledge of the State. For both general obligation bonds and revenue anticipation notes, the full faith, credit and resources of the State are pledged to the payment of principal and interest. If future State revenues are insufficient to make the required principal and interest payments, the State is legally required to raise taxes to provide sufficient funds for this purpose. $744.2 million of general obligation bonds were outstanding as of June 30, 2015. See "—Summary of Outstanding Debt" and Tables 8 - 10 below.

On November 6, 2012, voters approved $453,499,200 in general obligation bonds for the purpose of design and construction of State transportation projects. To date, the State has issued $134,790,000 in general obligation bonds against this authorization.

House Bill 23 was approved in the 2014 Legislative Session authorizing the issuance of up to $300 million of State-supported toll revenue bonds for the purpose of partially funding a bridge from Anchorage to the Matanuska-Susitna Borough across Knik Arm. In addition to the State-supported toll revenue bonds, the bill authorized the State to enter into a maximum sized TIFIA Loan and contemplated the appropriation of additional Federal Highway Administration funds to the project. Toll collections are to be pledged to the TIFIA Loan first and the State toll revenue bonds second. Based on projected cash flows the State would expect to pay debt service on the State toll revenue bonds using annual State appropriations. The project was on hold pursuant to Administrative Order 271, but was subsequently cleared for additional work to determine the feasibility of obtaining a TIFIA loan for the proposed structure.

The following other debt and debt programs of the State were outstanding as of June 30, 2015, except as otherwise noted.

State Guaranteed Debt. The only purpose for which State guaranteed debt may be issued is for payment of principal and interest on revenue bonds issued for the Veterans Mortgage Program by the Alaska Housing Finance Corporation (AHFC) for the purpose of purchasing mortgage loans made for residences of qualifying veterans. These bonds are general obligation bonds of the State, and they must be authorized by law, ratified by the voters and approved by the State Bond Committee. These bonds are known as "double-barrel bonds" because there are two distinct forms of security behind the bonds. The principal source of payment is the revenue stream generated by payments on the mortgage loans made from bond proceeds. Additional security to bondholders is provided by the general obligation pledge of the State to make the required debt service payments in the event that pledged revenues from mortgage repayments are insufficient. Approximately $56.9 million of State guaranteed debt was outstanding as of June 30, 2015. On November 7, 2010 the voters approved an additional $600 million of State guaranteed veteran's mortgage bonds, and the total current unissued authorization is $694.6 million. On June 6, 2016, the State Bond Committee approved the issuance by AHFC of bonds to refund a portion of the guaranteed bonds that remain outstanding.

State Supported Debt. State supported debt is debt for which the ultimate source of payment is, or may include, appropriations from the General Fund. The State does not pledge its full faith and credit to State-supported debt, but another public issuer may have pledged its full faith and credit to it. State supported debt is not considered "debt" under the State Constitution, because the State's payments on this debt are subject to annual appropriation by the Legislature. Voter approval of such debt is not required. State supported debt includes lease-purchase financing obligations (including lease revenue capital lease bonds and certificates of participation issued by lessors of facilities used by the State) and the share of municipal general obligation bonds issued for school construction and other capital projects that is reimbursable by the State on a subject to appropriation basis. Approximately $1,206.0 million of State supported debt was outstanding as of June 30, 2015. As of June 30, 2015, the State was obligated on $30.8 million of lease purchase financing obligations, $244.0 million of capital lease bonds and $35.84 million of capital project reimbursements. As of June 30, 2015, the State was reimbursing local municipalities on the debt service of $895.4 million of bonds under the School Reimbursement Program.

State Moral Obligation Debt. State moral obligation debt consists of bonds issued by certain State agencies or authorities that are secured, in part, by a debt service reserve fund benefited by a discretionary replenishment provision that permits, but does not legally obligate, the Legislature to appropriate to the particular State agency or authority the amount necessary to replenish the debt service reserve fund up to its funding requirement (generally the maximum amount of debt service required in any year). State moral obligation debt is payable in the first instance by revenues generated from loan repayments or by the respective projects financed from bond proceeds. Among those State agencies that have the ability to issue State moral obligation debt are: Alaska Aerospace Development Corporation ("AADC") which has not issued any debt; Alaska Energy Authority ("AEA"); Alaska Housing Finance Corporation ("AHFC");

Alaska Industrial Development and Export Authority ("AIDEA"); Alaska Municipal Bond Bank ("AMBB"); and Alaska Student Loan Corporation ("ASLC"). Approximately $1,200.4 million of State moral obligation debt was outstanding as of June 30, 2015.

State and University Revenue Debt. This type of debt is issued by the State or by the University of Alaska but is secured only by revenues derived from projects financed from bond proceeds. Revenue debt is not a general obligation of the State or of the University and does not require voter approval. Such debt is authorized by law and issued by the State Bond Committee or the University of Alaska for projects approved by the Commissioner of Transportation and Public Facilities or the University of Alaska. This type of debt includes Sportfish Revenue Bonds, International Airports Revenue Bonds, various University Revenue Bonds and Notes and Toll Facilities Revenue Bonds. A total of $693.0 million of revenue bonds, including $174.4 million of University of Alaska Revenue Bonds, Notes and Contracts, $31.3 million of Sportfish Revenue Bonds and $487.3 million of Airport Revenue Bonds were outstanding as of June 30, 2015.

State Agency Debt. State agency debt is secured by revenues generated from the use of bond proceeds or the assets of the agency issuing the bonds. This debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges. As of June 30, 2015, there was $493.8 million principal amount of State agency debt outstanding comprised of $16.9 million AHFC obligations; $10.4 million AMBB Coastal Energy Bonds payable to the National Oceanic and Atmospheric Administration; $119.9 million Alaska Railroad Notes; and $346.6 million of obligations of the Northern Tobacco Securitization Corporation.

State Agency Collateralized or Insured Debt. As security for State agency collateralized or insured debt, the particular State agency pledges mortgage loans or other securities as primary security which, in turn, may be 100 percent insured or guaranteed by another party with a superior credit standing. This upgrades the credit rating on the debt and lowers the interest cost and makes it less likely that the State will assume responsibility for the debt. At June 30, 2015, the total principal amount outstanding of State agency collateralized or insured debt was approximately $2,218.1 million comprised of approximately $2,083.4 million issued by AHFC and $134.7 million issued by AIDEA.

Through the Alaska Pension Obligation Bond Corporation, the State is authorized to issue up to $5,000 million of bonds and/or enter into contracts to finance the payment by governmental employers of their share of the unfunded accrued actuarial liabilities ("UAALs") of the retirement systems. The Governor included a proposal to issue up to $2.5 billion of this authorization in calendar year 2016 if the Legislature supports the issuance. It is uncertain if this issuance will proceed as this time. See also "STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES" below.

Summary of Outstanding Debt. Table 8 lists, by type, the outstanding State-related debt as of June 30, 2015. In March 2016, the State issued $134.8 million in General Obligation Bonds, Series 2016 to refinance the State's 2015A General Obligation Bond Anticipation Note. Other categories of debt have not been compiled beyond June 30, 2015.

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Table 8

State of Alaska Debt and State-Related Debt by Type
as of June 30, 2015
($ in millions)

	Principal Outstanding	Interest to Maturity	Total Debt Service to Maturity
State Debt			
State of Alaska General Obligation Bonds	$753.8	$274.0	$1,027.8
State Supported Debt			
Lease-Purchase Financings	30.8	11.5	42.3
State Reimbursement of Municipal School Debt Service	859.4	300.6	1,196.0
State Reimbursement of Capital Projects	35.8	14.7	50.5
Capital Leases	244.0	121.1	365.1
Total State Supported Debt	1,206.0	447.0	1,653.9
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans' Mortgage Program)	56.9	37.7	94.6
State Moral Obligation Debt			
Alaska Municipal Bond Bank:			
1976, 2005 & 2010 General Resolution General Obligation Bonds	940.9	471.2	1,412.1
Alaska Energy Authority:			
Power Revenue Bonds #1 through #5	71.2	14.1	85.3
Alaska Student Loan Corporation			
Student Loan Revenue Bonds	68.2	4.6	72.8
Education Loan Backed Notes	120.1	1.7	121.8
Student Capital Project Revenue Bonds	0.0	0.0	0.0
Total State Moral Obligation Debt	1,200.4	491.6	1,692.0
State Revenue Debt			
Sportfish Revenue Bonds	31.3	7.6	38.9
International Airports Revenue Bonds	487.3	215.5	702.8
University of Alaska Debt			
University of Alaska Revenue Bonds	132.2	41.2	173.4
University Lease Liability and Notes Payable	41.0	18.4	59.4
Installment Contracts	1.2	0.1	1.3
Total University of Alaska Debt	174.4	59.7	234.1
Total State Revenue and University Debt	693.0	275.2	968.2
State Agency Debt			
Alaska Housing Finance Corporation			
Commercial Paper	16.9	N/A	16.9
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	10.4	2.4	12.8
Alaska Railroad	119.9	19.9	139.8
Northern Tobacco Securitization Corporation			
2006 Tobacco Settlement Asset-Backed Bonds	346.6	394.9	741.5
Total State Agency Debt	493.8	417.2	911.0
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation			
Collateralized Home Mortgage Bonds & Mortgage Revenue Bonds:			
2002 Through 2011 (First Time Homebuyer Program)	852.5	477.6	1,330.1
General Mortgage Revenue Bonds 2012	129.1	67.4	196.5
Government Purpose Bonds 1997 & 2001	128.2	33.9	162.1
State Capital Project Bonds, 2002-2011	202.2	76.3	278.5
State Capital Project Bonds, II 2012-2014	771.4	300.9	1,072.3
Alaska Industrial Development and Export Authority			
Revolving Fund and Refunding Revolving Fund Bonds	64.7	21.8	86.5
Power Revenue Bonds, First Series (Snettisham Hydro Project)	70.0	42.5	112.5
Total State Agency Collateralized or Insured Debt	2,218.1	1,020.4	3,238.5
Total State and State Agency Debt	6,622.0		
Municipal Debt			
School G.O. Debt	1,299.4	$ N/A	$ N/A
Other G.O. Debt	1,095.5	N/A	N/A
Revenue Debt	954.3	N/A	N/A
Total Municipal Debt	3,349.2		
Less: State Reimbursable School Debt Reported by Municipalities	-1,175.2		
Less: Alaska Municipal Bond Bank Debt included in Municipal Debt	-927.7		
	1,246.3		
Total Alaska Public Debt (2)	**$7,868.3**		

(1) University debt owed to AHFC is double counted in detail, but eliminated from Total Alaska Public Debt.
(2) Reimbursable school G.O. debt is included in "State Supported Debt"; Capital Leases are included in "State Agency Collateralized or Insured Debt and Municipal Debt"; State Reimbursement of Capital Projects is included in "University and Municipal Debt."
Sources: Annual reports and financial statements of AHFC, AMBB, AIDEA, AEA, University of Alaska, Alaska Railroad, and directly from agencies.

General Fund Supported Obligations. General Fund support is pledged and required for only a portion of the total outstanding Alaska Public Debt. General Obligation Bonds are unconditionally supported, and Certificates of Participation and Capital Leases are subject-to-appropriation commitments with associated obligations. The School Debt and Capital Project Reimbursement Programs provide discretionary annual payments to municipal issuers for qualified general obligation bonds that are eligible by statute to participate in the programs. Over the last 20 years, the State has fully funded these programs. Tables 9 and 10 show the historical level of support the State has provided from the General Fund for these outstanding obligations and the forecast support required to retire the outstanding obligations.

Table 9

State of Alaska
Debt Service on State Supported Debt
FYs Ended June 30, 1986 – 2015
($ millions)

FY	State G.O.	University Revenue Debt	Lease / Purchase	Capital Leases (1)	School Debt Reimbursement	Capital Project Reimbursements	Total Debt Service (2)
1986	$163.2	$1.8	$10.4	–	$106.3	–	$281.7
1987	154.9	1.8	11.2	–	115.8	–	283.7
1988	147.9	1.5	11.2	–	109.5	–	270.1
1989	135.5	2.2	11.7	–	110.2	–	259.6
1990	120.3	2.2	12.0	–	107.4	–	241.9
1991	95.5	2.7	12.0	–	116.3	–	226.5
1992	68.2	2.7	11.8	–	127.3	–	210.0
1993	59.7	3.7	11.2	–	124.9	–	199.5
1994	33.8	0.2	8.5	–	98.6	–	141.1
1995	22.9	0.2	10.2	–	93.7	–	127.0
1996	21.3	0.2	9.6	–	79.2	–	110.3
1997	16.5	0.2	9.5	–	62.5	–	88.7
1998	14.2	0.2	10.3	–	61.6	–	86.3
1999	8.8	0.2	15.5	–	62.0	–	86.5
2000	2.4	–	15.0	$3.5	64.4	–	85.3
2001	–	–	12.8	3.5	52.1	–	68.4
2002	–	–	12.4	8.8	54.1	–	75.3
2003	–	–	11.9	8.8	52.0	–	72.7
2004	19.4	–	12.1	8.8	60.6	$0.3	101.2
2005	46.4	–	13.8	8.8	71.4	0.2	140.6
2006	45.7	–	13.2	8.6	81.1	2.2	150.8
2007	45.0	–	13.2	9.1	86.9	3.6	157.8
2008	44.4	–	11.1	11.8	91.1	4.2	162.7
2009	43.9	–	8.0	20.4	93.3	3.9	169.5
2010	48.9	–	8.0	29.6	95.8	5.2	187.5
2011	53.8	–	8.0	29.7	99.6	5.3	196.4
2012	78.8	–	7.5	29.1	100.9	5.8	222.1
2013	76.3	–	7.0	28.6	112.3	5.4	229.6
2014	76.2	–	1.8	28.7	109.8	5.5	222.0
2015	73.5	–	1.8	28.7	118.0	5.5	227.5

(1) Three facilities are financed with capital leases.
(2) Totals may not add due to rounding.
Source: State of Alaska.

Table 10

State of Alaska
Existing Debt Service on Outstanding State Supported Debt
for FYs Ending June 30, 2016 - 2040
$ (millions)

FY	State G.O. (1)	University Revenue Debt	Lease / Purchase (2)	Capital Leases (3)	School Debt Reimbursement (4)	Capital Project Reimbursements	Total Debt Service (5)
2016	$61.3	-	$4.7	$26.2	$111.4	$4.6	$208.2
2017	63.0	-	2.9	23.7	105.5	4.6	199.7
2018	62.9	-	2.9	23.7	101.1	4.6	195.2
2019	62.7	-	2.9	20.2	94.3	4.5	184.6
2020	51.6	-	2.9	20.2	90.0	4.5	169.2
2021	51.0	-	2.9	20.2	88.2	3.6	165.9
2022	40.8	-	2.9	20.2	76.3	3.6	143.8
2023	40.8	-	2.9	20.2	72.3	3.6	139.8
2024	40.9	-	2.9	20.2	61.2	3.6	128.8
2025	36.1	-	2.9	20.2	51.7	3.6	114.5
2026	36.1	-	2.9	20.2	40.4	2.8	102.4
2027	35.6	-	2.9	20.9	36.3	2.6	98.3
2028	35.1	-	2.9	17.6	33.6	2.2	94.7
2029	35.0	-	2.9	17.6	28.3	0.9	84.7
2030	35.1	-	-	17.6	25.2	0.9	78.8
2031	23.4	-	-	17.6	22.7	0.4	64.1
2032	23.3	-	-	17.6	19.4	-	60.3
2033	23.2	-	-	17.6	12.4	-	53.2
2034	23.1	-	-	-	9.9	-	33.0
2035	0.1	-	-	-	-	-	0.1
2036	0.1	-	-	-	-	-	0.1
2037	0.1	-	-	-	-	-	0.1
2038	12.0	-	-	-	-	-	12.0
2039	-	-	-	-	-	-	0.0
2040	-	-	-	-	-	-	0.0

(1) State G.O. debt service is net of federal subsidies for interest expenses from 2016 through 2040.
(2) A prison, a building and a parking garage have been financed with capital leases.
(3) Information as of January 23, 2015, provided by the Department of Education & Early Development.
(4) FY 2016 – 2040 payments are estimated. Totals may not add due to rounding.
(5) Does not include issuance of the Bonds.
Source: *State of Alaska.*

Payment History. The State has never defaulted on its bond obligations nor has it ever failed to appropriate funds for any outstanding securitized lease obligations.

State Debt Capacity. The State has historically used the ratio of debt service to revenue as a guideline for determining debt capacity of the State. This policy was established due to the State's relatively small population and high per capita revenue due to oil resource-generated revenue. Historically the State's policy has been that debt service should not exceed five percent of unrestricted revenue when considering only general obligation bonds and certificates of participation that are State supported. More recently, the State has included more discretionary General Fund supported obligations and programs, including the School Debt Reimbursement Program, the Capital Project Reimbursement Program and certain capital leases. With the more inclusive funding, the State's policy allows the annual payments on these items to range up to eight percent of unrestricted revenue. Access to the School Debt Reimbursement Program was restricted during the 1990's due to State budgetary pressure. Beginning in the early 2000's, and carrying through 2014, the program was generally available for any qualified municipal project. In 2015, the legislature passed a moratorium on State school debt reimbursement and the Alaska Department of Education and Early Development will not issue agreements to reimburse debt from school bonds that voters approved after January 1, 2015, but before July 1, 2020.

Table 11

State of Alaska
Debt Service on Outstanding Obligations to Unrestricted Revenues(1)
FYs June 30, 1986 – 2025

FY	Unrestricted Revenues	State G.O. Debt Service	State Supported Debt Service	Total State Debt Service	School Debt Reimbursement	Total Debt Service to Revenues
	($Millions)	%	%	%	%	%
1986	3,075.5	5.3	0.4	5.7	3.5	9.2
1987	1,799.4	8.6	0.7	9.3	6.4	15.8
1988	2,305.8	6.4	0.6	7.0	4.7	11.7
1989	2,186.2	6.2	0.6	6.8	5.0	11.9
1990	2,507.2	4.8	0.6	5.4	4.3	9.6
1991	2,986.6	3.2	0.5	3.7	3.9	7.6
1992	2,462.6	2.8	0.6	3.4	5.2	8.5
1993	2,352.0	2.5	0.6	3.2	5.3	8.5
1994	1,652.5	2.0	0.5	2.6	6.0	8.5
1995	2,082.9	1.1	0.5	1.6	4.5	6.1
1996	2,133.3	1.0	0.5	1.5	3.7	5.2
1997	2,494.9	0.7	0.4	1.1	2.5	3.6
1998	1,825.5	0.8	0.6	1.4	3.4	4.7
1999	1,348.4	0.7	1.2	1.8	4.6	6.3
2000	2,081.7	0.1	0.9	1.0	3.1	4.1
2001	2,281.9	0.0	0.7	0.7	2.3	3.0
2002	1,660.3	0.0	1.3	1.3	3.3	4.5
2003	1,947.6	0.0	1.1	1.1	2.7	3.7
2004	2,345.6	0.8	0.9	1.7	2.6	4.3
2005	3,188.8	1.5	0.7	2.2	2.2	4.4
2006	4,200.4	1.1	0.6	1.7	1.9	3.6
2007	5,158.6	0.9	0.5	1.4	1.7	3.1
2008	10,728.2	0.4	0.3	0.6	0.8	1.4
2009	5,831.2	0.8	0.6	1.3	1.6	2.9
2010	5,513.3	0.9	0.8	1.7	1.7	3.4
2011	7,673.0	0.7	0.6	1.3	1.3	2.6
2012	9,485.2	0.8	0.4	1.3	1.1	2.3
2013	6,928.5	1.1	0.6	1.7	1.6	3.3
2014	5,390.1	1.4	0.7	2.1	2.0	4.1
2015	2,257.3	3.3	1.6	4.8	5.2	10.1
Projected						
2016	1,593.0	3.8	2.2	6.1	7.0	13.1
2017	1,796.4	3.5	1.7	5.2	5.9	11.1
2018	2,021.0	3.1	1.5	4.7	5.0	9.7
2019	2,130.0	2.9	1.3	4.2	4.4	8.7
2020	2,111.3	2.4	1.3	3.8	4.3	8.0
2021	2,173.3	2.3	1.2	3.6	4.1	7.6
2022	2,131.8	1.9	1.3	3.2	3.6	6.7
2023	2,076.5	2.0	1.3	3.3	3.5	6.7
2024	2,060.6	2.0	1.3	3.3	3.0	6.3
2025	2,046.1	1.8	1.3	3.1	2.5	5.6

(1) Unrestricted revenue projection for FY 2016 -2025 is based on Fall 2015 Revenue Source Book. Debt Service is based on June 30, 2015 balances, not adjusted for cash defeasances.

Source: State of Alaska.

STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES

General

The State, through the Department of Administration ("DOA"), administers five retirement systems, a healthcare trust, a deferred compensation plan and a supplemental annuity plan. The two largest retirement systems are the Public Employees' Retirement System ("PERS") and the Teachers' Retirement System ("TRS"). Smaller systems are the Alaska National Guard and Naval Militia Retirement System ("NGNMRS") and the Judicial Retirement System ("JRS"). The fifth system, the smallest, is the Elected Public Officers Retirement System ("EPORS"), which provides benefits to elected officials who served in 1976.

PERS and TRS each had funding ratios in excess of 100 percent (i.e., were "overfunded") as recently as 2001. Since that time, as a result of investment losses, recalibration of other post-employment benefit ("OPEB") liabilities and changes in actuarial assumptions and valuation methodologies, PERS and TRS each has had an unfunded accrued actuarial liability (a "UAAL") and increasing actuarially determined employer contribution rates. The NGNMRS and JRS, although much smaller systems, also had UAALs until May 2008, when the Legislature made additional contributions in amounts calculated to eliminate the entire UAAL of both the NGNMRS and JRS as of June 30, 2006. The NGNMRS has been fully funded or close to fully funded since June 30, 2010. Despite the additional funding in 2008, the JRS system has continued to have a UAAL through June 30, 2014. The State maintains EPORS as a cash-funded, pay-as-you go arrangement and pays benefits each year as they arise. No assets are set aside to pay EPORS benefit costs.

In January 2016, the State's actuary provided a draft June 30, 2015 valuation for PERS and TRS. The valuation has not yet been adopted by the ARM Board, but is scheduled to be on June 24, 2016. Accordingly the valuation may be adjusted. However, as reflected in the following table the draft valuation demonstrates the benefit of the $3 billion transfer into the retirement systems in FY 2015 as well as some favorable actuarial adjustments. The draft June 30, 2015 valuation was reviewed at the February 18, 2016 Alaska Retirement Management Board meeting and is scheduled to be approved at the Board's meeting on June 24, 2016. The draft valuation produces a PERS defined benefit pension funding level of 67.0% and Other Post-Employment Benefits funding level of 98.5%, and a total funding level of 78.2%. The draft 2015 valuation report shows a TRS defined benefit pension funding level of 76.9% as of June 30, 2015, an Other Post-Employment Benefits funding level of 100.3%, and a total funding level of 83.3% as reflected in Table 12.

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Table 12

Draft Actuarial Valuation Report[1]
As of June 30, 2015

Funded Status as of June 30 ($'s in 000's)	PERS 2014	PERS 2015	TRS 2014	TRS 2015
Defined Benefit ("DB") – Pension				
a. Actuarial Accrued Liability	$12,947,759	$13,337,929	$6,921,362	$7,051,984
b. Valuation Assets	7,731,438	8,931,160	3,771,139	5,422,651
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	59.7%	67.0%	54.5%	76.9%
DB – Healthcare				
a. Actuarial Accrued Liability	$7,949,613	$7,350,183	$2,919,670	$2,677,381
b. Valuation Assets	6,913,160	7,242,299	2,248,135	2,686,272
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	87.0%	98.5%	77.0%	100.3%
DB – Total				
a. Actuarial Accrued Liability	**$20,897,372**	**$20,688,112**	**$9,841,032**	**$9,729,365**
b. Valuation Assets	**14,644,598**	**16,173,459**	**6,019,274**	**8,108,923**
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	**70.1%**	**78.2%**	**61.2%**	**83.3%**
Defined Contribution Retirement ("DCR") – Pension				
a. Actuarial Accrued Liability	$3,627	$5,309	$23	$29
b. Valuation Assets	14,995	19,014	2,820	3,114
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	413.4%	358.1%	12,260.9%	10,737.9%
DCR – Healthcare				
a. Actuarial Accrued Liability	$50,217	$58,683	$16,273	$19,768
b. Valuation Assets	26,466	44,188	10,791	17,733
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	52.7%	75.3%	66.3%	89.7%
DCR – Total				
a. Actuarial Accrued Liability	**$53,844**	**$63,992**	**$16,296**	**$19,797**
b. Valuation Assets	**41,461**	**63,202**	**13,611**	**20,847**
c. Funded Ratio based on Valuation Assets, (b) ÷ (a)	**77.0%**	**98.8%**	**83.5%**	**105.3%**

(1) The FY 2015 actuarial valuation has not been adopted by the ARM Board and is scheduled for consideration on June 24, 2016.
Source: Draft Actuarial Valuation Report as of June 30, 2015.

The ARM Board

The Alaska Retirement Management ("ARM") Board is the fiduciary for funds of three of the retirement systems: PERS, TRS and the NGNMRS and has investment oversight of all of the systems. The ARM Board's mission is to serve as the trustee of the assets of the State's retirement systems, the supplemental annuity plan, the deferred compensation program for State employees and the Retiree Healthcare Trusts (for the PERS, TRS, JRS, and the Retiree Health Fund).

Administration of the Systems

The Commissioner of the DOA or the Commissioner's designee is the administrator, and the Attorney General is the legal counsel, for each of the State's retirement systems. The Treasury Division of the DOR provides investment and cash management services, together with 55 external money managers and consultants, for the ARM Board and for each of the retirement systems and healthcare trusts.

Valuation Reports

PERS and TRS are funded by a combination of mandatory employee contributions at rates that are determined by statute, investment income, and employer contributions at rates adopted by the ARM Board based upon recommendations of the consulting actuary in its valuation reports. State law limits PERS and TRS contribution rates, and statutes provide that the State contribute additional amounts up to the actuarially determined contribution rate. State law requires that actuarial valuation reports be prepared annually for PERS and TRS and that the work of the actuary be reviewed by a second, independent actuary. State law requires in addition that every four years a different independent actuary be retained to conduct a separate, complete valuation for comparison purposes.

Employer Contribution Rates. Employer contribution rates are adopted by the ARM Board and are based upon State law, administrative regulations and the actuarial determined employer contribution rates based upon results of the actuary's valuations. Employer rates represent a percentage of payroll based upon (i) the normal cost (a uniform rate for all employers within a specific pension program (e.g., PERS and TRS) calculated to reflect the cost of benefits accruing in the applicable FY, less the value of the employees' contributions during that year, plus (ii) the past service cost (amortization of the UAAL over the remaining amortization period). The PERS employer contribution rate is set by law at 22.0 percent; the TRS contribution employer rate is set by law at 12.56 percent. Compensation used to determine required employer contribution rates is total compensation to all active members, including those who are not members of the defined benefit plans. If the actuarially determined employer contribution rate adopted by the ARM Board to fund the plans exceeds these statutorily established rates, the State is required to consider annually appropriating an amount that, when combined with the total employer contributions, will be sufficient to pay the plans' past service liability for that FY.

Employee Contributions. Employee contributions are established by statute and vary for each program and for tiers within a program. If statutorily permitted, employees may also make additional, voluntary contributions, which are accounted for separately.

The Public Employees' Retirement System

General. PERS, formed in 1961, is the largest of the State's retirement systems with 159 employers comprising three State entities, 78 municipalities, 53 school districts and 27 other public entities. The three State entities represent approximately 50 percent of active PERS members. PERS is a cost-sharing, multiple employer plan composed of both a defined benefit ("DB") plan and a defined contribution ("DC") plan. Membership in either plan is dependent upon the participant date of hire. The PERS DB plan was closed to all new members effective July 1, 2006.

At June 30, 2015, the PERS DB membership consisted of 17,988 active members and 32,045 retirees, and beneficiaries and the PERS DC membership consisted of 17,456 active members. PERS provides pension and other post-employment benefits, death and disability benefits prior to retirement and death benefits and survivor benefits after retirement, in a combination of defined benefit (Tiers 1, 2 and 3) and defined contribution (Tier 4) plans. PERS also provides a voluntary savings plan for the DB tiers and beginning in FY 2007 is funding costs of healthcare benefits through the separate Retiree Healthcare Trust within PERS. Membership in PERS is mandatory for all full- and part-time (15-30 hours per week) employees of the State and of the other participating governmental employers (other than employees exempted by statute or employer participation agreements or who belong to another of the State's retirement systems).

Participants first hired before July 1, 1986 are Tier 1 participants of PERS and are eligible for retirement and for health insurance premiums paid by PERS earlier than members hired after June 30, 1986 (Tier 2). Members first hired after June 30, 1996 (Tier 3) have a 10-year requirement for system-paid premiums, and members who are not peace officer/firefighter members have a different final average earnings calculation than members from Tiers 1 and 2.

Shift to Defined Contribution Plan. In 2005, the Legislature closed the PERS DB plan to members first hired on or after July 1, 2006 and created for Tier 4 employees a DC retirement plan, which is composed of a participant-directed investment account, retiree major medical benefits, a health reimbursement arrangement, and occupational disability and death benefits.

The PERS DC participant account is funded with employee contributions of 8 percent and an employer match of 5 percent. Each participant designates how both employee and employer contributions (regardless of vesting status) are to be allocated among various investment options. Participants are 100 percent vested in their employee contribution and related earnings. Employer contributions to the participant account, plus any earnings they generate are vested as shown in the following Table 13:

Table 13

PERS DC Vesting Schedule

Years of Service	Vested Percentage of Employer Contributions
1 year	0%
2 years	25%
3 years	50%
4 years	75%
5 years	100%

Source: State of Alaska, Division of Retirement & Benefits

Employee Contributions. The PERS DB member contribution rates are 7.5 percent for peace officers and firefighters, 9.6 percent for certain school district employees, and 6.75 percent for general members, as required by statute. The DB member contributions earn interest at the rate of 4.5 percent per annum, compounded semiannually.

The PERS DC Plan member contribution rate is 8.0 percent, as required by statute.

Employer Contributions. The employer contribution rate is determined by the consulting actuary and adopted by the ARM Board annually. AS 39.35.255(a) sets the employer contribution rate at 22.0 percent. The employer contribution rate is paid based on all eligible salaries of the employer without regard to the participant's tier status. The difference between the actuarially determined contribution rate and the statutory employer effective rate is paid by the State as a direct appropriation, also known as the "Additional State Contribution" set out in AS 39.35.280.

Employer contributions made on behalf of DC members also include funding of the DC Retiree Major Medical Plan, Occupational Death and Disability Plan, and the Health Reimbursement Arrangement. DC employer contribution rates are determined by the ARM Board and are based upon State law, administrative regulations, and the actuary's recommended employer contribution rates based upon results of the actuary's valuations. Table 14 provides a seven year history of the employer contribution rates.

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Table 14

PERS Employer Contribution Rates

FY	ARM Board Adopted Rate	DB Employer Effective Rate	DC Employer Match	DC Retiree Medical Plan	DC Occupational Death and Disability - Police/Fire	DC Occupational Death and Disability – All Others	DC Health Reimbursement Arrangement [(1)]
2009	35.22%	22.00%	5.00%	0.99%	1.33%	0.58%	$ 1,616.81
2010	27.65%	22.00%	5.00%	0.83%	1.33%	0.30%	$ 1,699.71
2011	27.96%	22.00%	5.00%	0.55%	1.18%	0.31%	$ 1,720.70
2012	33.49%	22.00%	5.00%	0.51%	0.97%	0.20%	$ 1,778.09
2013	35.84%	22.00%	5.00%	0.48%	0.99%	0.14%	$ 1,848.43
2014	35.68%	22.00%	5.00%	0.48%	1.14%	0.20%	$ 1,896.60
2015[(2)]	31.90%	22.00%	5.00%	1.66%	1.06%	0.22%	$ 1,960.53

(1) The employer contribution to the Health Reimbursement Arrangement is expressed as a dollar amount that must be paid in full on an annual basis for each year of service.
(2) Table 14 shows the ARMB adopted rate for FY 2015 based on a level percentage of payroll. The actual contribution for FY 2015 was the one-time transfer of $3 billion from the Constitutional Budget Reserve Fund ($1 billion to PERS and $2 billion to TRS) described under "Recent Pension Reforms."

Source: State of Alaska Division of Retirement and Benefits.

Contributions from the State of Alaska. AS 39.35.280 provides that the State is obligated to annually consider appropriating to contribute each July 1 or, as soon after July 1 as funds become available, an amount for the ensuing FY that, when combined with the total employer contribution rate of 22.0 percent, is sufficient to pay the PERS DB past service liability at the consolidated actuarially determined contribution rate ("ADC") adopted by the ARM Board for the FY. Table 15 provides a seven-year history of the additional PERS contributions from the State under AS 39.35.280. For FY 2015, the State total contribution to PERS was a one-time payment of $1 billion. Due to the one time contributions, additional legislative and actuarial adjustments in analyzing the pension systems, employer contributions have diminished from levels shown in Table 15. For FY 2016, the Alaska Retirement Management Board has adopted a PERS contribution rate attributable to participating employers at 27.19%. This results in employer contributions of $535,998,000 and an additional State contribution under AS 39.35.280 of $126,521,000.

Table 15

Additional PERS Contribution from the State (under AS 39.35.280)

FY	Legislative Bill	Amount Provided by State under AS 39.35.280 ($000s)	Total Employer Contributions to PERS DB ($000s)	% of Contributions made by State (1)
2008	Senate Bill 53	$185,000	$549,078	33.69%
2009	House Bill 310	241,600	649,052	37.22
2010	House Bill 81	107,953	500,300	21.58
2011	House Bill 300	165,841	566,450	29.28
2012	House Bill 108	242,609	648,548	37.41
2013	House Bill 284	307,302	717,268	42.84
2014	House Bill 65	312,473	723,456	43.19

(1) Percent of Contributions made by State under AS 39.35.280.

Source: State of Alaska Division of Retirement and Benefits.

Pension Benefits. PERS DB members are eligible for normal retirement at age 55 or early retirement at age 50 (Tier 1) or normal retirement at age 60 and early retirement at age 55 (for Tiers 2 and

3), in each case with at least five years of paid-up PERS service or other qualifying service. Members may retire at any age when they have at least 30 years of paid-up service.

PERS DC members are immediately and fully vested in member contributions and related earnings (losses). A member is fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. See Table 13 for vesting percentages.

Other Post-Employment Benefits. PERS pays provider major medical healthcare benefits for all Tier 1 retirees, for Tier 2 retirees who are at least 60, and for Tier 3 retirees with ten years of credited service without premium cost to the member. Retirees in Tiers 1, 2, and 3 with 30 years of service (20 years for Tier 1 peace officers and firefighters and 25 years for other peace officers and firefighters) receive benefits with premiums paid by PERS regardless of their age or Tier. For Tier 4 retirees who are eligible for Medicare, PERS pays a portion (70-90 percent of the cost, depending upon length of service) of health insurance premiums.

PERS DC members are eligible for major medical benefits through the retiree medical plan after certain requirements have been met. In addition, PERS DC members have access to a health reimbursement arrangement plan and Occupational Death and Disability Benefits.

Actuarial Valuation – PERS DB. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The FY 2014 contribution requirements were determined as a percentage of total payroll, and reflect the cost of benefits accruing and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses and other changes. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the DC plan. The amortization period is set by the ARM Board. Contribution rates are recommended by the consulting actuary and adopted by the ARM Board each year.

The Legislature has discretion to deviate from the rates recommended by the ARM Board; however, they have not historically done so.

The most recent funding objective of the plan, as adopted by the ARM Board for FY 2015, is to set an employer contribution rate that will pay the normal cost and amortize the initial UAAL and each subsequent annual change in the UAAL over a closed 25-year period as a level percentage of payroll amortization. After the ARM Board's adoption of the contribution rate for FY 2015, the Legislature provided for one-time deposits of $1 billion to PERS and $2 billion to TRS in the FY 2015 capital budget, and amended statutes to require a level percentage of payroll method for determining contributions in the future.

Table 16 presents a summary of the funding status of PERS as a whole, including pension and post-employment healthcare benefits combined, as of June 30, 2003 through 2014. The information presented in Table 16 is derived from the 2014 PERS Valuation Report and differs from the information about PERS prepared for accounting purposes.

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Table 16

PERS Funding Status (1)
(as of June 30)

Actuarial Valuation Year	Aggregate Accrued Liability (000s)	Valuation of Assets (000s)	Unfunded Liability (000s)	Funded Ratio (%)
2003	$ 10,561,653	$ 7,687,281	$ 2,874,372	72.8%
2004 (2)	11,443,916	8,030,414	3,413,502	70.2
2005	12,844,841	8,442,919	4,401,922	65.7
2006	14,388,413	9,040,908	5,347,505	62.8
2007 (3)	14,570,933	9,900,960	4,669,973	68.0
2008	15,888,141	11,040,106	4,848,035	69.5
2009	16,579,371	10,242,978	6,336,393	61.8
2010	18,132,492	11,157,464	6,975,028	61.5
2011	18,740,550	11,813,774	6,926,776	63.0
2012	19,292,361	11,832,030	7,460,331	61.3
2013	19,992,759	12,162,626	7,830,133	60.8
2014	20,897,372	14,644,598	6,252,774	70.1

See Recent Pension Reform section for actuarial projection as of June 30, 2015.

(1) For PERS Tiers I-III and pension and other post-employment benefits combined.
(2) Change in valuation assumptions (particularly the healthcare cost assumptions) and change in methods.
(3) Tier 4, the PERS defined contribution plan, became effective for employees first hired after June 30, 2006 when the defined benefit plans were closed. Change in healthcare cost assumptions.

Source: 2014 PERS Valuation Report, Section 1.7.

Table 17 presents the Schedule of Contributions from Employers and the State. This schedule shows the dollar amount of the annual required contribution and the percent of the ADC contributed by employers and by the State (under AS 39.35.280).

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Table 17

PERS Schedule of Contributions from Employers and the State
(as of June 30)

		Annual required contribution			Pension percentage contributed			Postemployment healthcare percentage contributed		
Year Ended June 30	**Actuarial Valuation year ended June 30 (1)**	**Pension (000s)**	**Postemployment healthcare (000s)**	**Total (000s)**	**By employer**	**By State**	**Total Percentage contributed**	**By employer**	**By State**	**Total Percentage contributed**
2005	2002	$ 234,361	$ 142,393	$ 376,754	47.3%	—%	47.3%	47.3%	—%	47.3%
2006	2003	249,488	166,749	416,237	61.0	4.4	65.4	61.0	4.4	65.4
2007	2004	268,742	189,495	458,237	73.2	4.1	77.3	73.2	4.1	77.3
2008	2005	140,729	370,456	511,185	71.2	36.2	107.4	71.2	36.2	107.4
2009	2006	166,016	391,321	557,337	68.1	48.0	116.1	68.1	41.4	109.5
2010 (2)	2007	217,080	790,793	1,007,873	65.5	20.5	86.0	31.6	54.8	86.4
2011	2008	220,419	525,075	745,494	63.1	29.6	92.7	49.8	21.6	71.4
2012	2009	351,674	498,433	850,107	52.0	37.2	89.2	44.8	28.8	73.6
2013	2010	382,889	612,792	995,681	47.0	42.9	89.9	37.5	25.1	62.6

(1) Actuarial valuation related to annual required contribution for FY.
(2) Beginning in the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Medicare Part D subsidy.
Source: PERS Financial Statement as of June 30, 2014.

With implementation of GASB 67, information as presented in Table 17 is no longer provided in the PERS financial statements. The annual actuarially determined contribution (ADC) for pension for FY 2013 was $382,889,000, FY 2014 was $358,718,000 and for FY 2015 was $529,264,000. The contributions in relation to the ADC for FY 2013 was $344,063,000 FY 2014 was $382,998,000, and FY 2015 was $1,226,136,000, $38,826,000 less than the ADC in FY 2013 and $24,280,000 and $696,872,000 more than the ADC in FY 2014 and 2015 respectively. Postemployment healthcare contributions in FY 2014 for the actuarial valuation year ended June 30, 2011 were $783,827,000 of which 26.1% was paid by employers and 19.5% was paid by the State for a total percentage contributed of 45.6%.

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the latest actuarial valuation follows.

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Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay normal cost basis for Pension Level Dollar normal cost basis for Healthcare
Amortization Method	Level percentage of pay, closed
Equivalent Single Amortization Period	25 years
Asset Valuation Method	5-year smoothed fair value, reinitialized to fair value as of June 30, 2014
Actuarial Assumptions:	
Investment rate of return*	8.00% for pension, 4.90% for healthcare.
Projected salary increases	Peace Officer/Firefighter: Merit – 2.75% per year for the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Others: Merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of service, 1.50% grading down to 0%. Productivity – 0.5% per year.
*Includes price inflation at	3.12%
Cost-of-living adjustment	Post-retirement Pension Adjustment.

Changes in Actuarial Assumptions Since the Prior Valuation. The ARM Board contracted for an experience analysis to be performed of the actuarial assumptions underlying the PERS actuarial valuation. As a result of the experience analysis the following changes were made as of June 30, 2014 actuarial valuation. There have been no changes in methodology since the June 30, 2014 valuation.

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Defined benefit pension and postemployment healthcare benefit plan:

	June 30, 2013	June 30, 2014
Salary Scale	Based on actual experience from 2005 to 2009.	Rates adjusted on actual experience from 2010-2013. Increased most rates.
Pre-termination Mortality	Peace Officer/Firefighter: 1994 GAM table, sex-district, 1994 base year without margin projected to 2013 using projection scale AA, 80% of the male table for males and 60% of the female table for females. Others: 1994 GAM table, sex-district, 1994 base year without margin projected to 2013 using projection scale AA, 75% of the male table for males and 55% of the female table for females.	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of the post termination mortality rates
Post-termination Mortality	1994 GAM Table, sex-district, 1994 base year without margin projected to 2013 using projection scale AA for males with a one year set-forward for females.	96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.
Disability Mortality	RP-2000 Disabled Retiree Mortality Table.	RP-2000 Disabled retiree table, 2000 base year projected to 2018 with projection scale BB.
Turnover	Rates adjusted based on actual experience from 2005-2009.	Based upon the 2010-2013 actual withdrawal experience.
Disability	Peace Officer/Firefighter: No change except to stop rates at earliest retirement age. Others: Male/Female rates decreased based on actual experience from 2005 to 2009 and stop rates at earliest retirement age.	Incidence rates based on 2010-2013 actual experience. Peace officer/firefighter: Decreased rates by 5%. Others: Decreased rates by 30%.
Retirement	Rates were adjusted based on actual experience from 2005 to 2009.	Retirement rates based upon the actual 2010-2013 experience.
Deferred vested commencement date	Peace officer/firefighter: Tier 1 age 53 Tier 2 and 3 age 57 Others: Earliest unreduced age	Peace officer/firefighter: Tier 1 age 55 Tier 2 and 3 age 60 Others: Earliest unreduced age
COLA	Of those benefit recipients who are eligible for the COLA, 70% are assumed to remain in Alaska and receive the COLA.	Of those benefit recipients who are eligible for the COLA, 70% of others and 65% of peace officer/firefighters are assumed to remain in Alaska and receive the COLA.
Occupational Death and Disability	Others: 55% Peace officer/firefighters: 75%	Others: 50% Peace officer/firefighters: 70%

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Defined contribution occupational death and disability and retiree medical benefits plan:

	June 30, 2013	June 30, 2014
Salary Scale	Based on actual experience from 2005-2009. Peace officer/firefighter: rates are increased for the first four years. Decreased at year five. Others: Based on actual experience from 2005-2009. Increased most rates.	Inflation – 3.12% per year Productivity – 0.50% per year
Pre-termination Mortality	Peace Officer/Firefighter: 80% of the male rates and 60% of the female rates of the 1994 GAM table, 1994 base year without margin projected to 2013 using projection scale AA. Others: 75% of the male rates and 55% of the female rates of the 1994 GAM table, 1994 base year without margin projected to 2013 using projection scale AA.	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of the post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others.
Post-termination Mortality	1994 GAM Table, 1994 base year without margin projected to 2013 using projection scale AA for males with a one year set-forward for females.	96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.
Disability	RP-2000 disabled retiree mortality table.	Incidence rates based on 2010-2013 actual experience. Post termination disabled mortality in accordance with RP-2000 disabled retiree mortality table, 2000 base year projected to 2018 with projection scale BB. Disabilities are assumed to be occupational 70% of the time for peace officer/firefighters, 50% of the time for others.
Turnover	Rates adjusted based on actual PERS DB Plan experience from 2005-2009. Ultimate rates are equal to PERS DB Plan rates loaded by 10%.	Based upon the 2010-2013 actual withdrawal experience.
Occupational Death and Disability	Others: 55% Peace officer/firefighters: 75%	Others: 50% Peace officer/firefighters: 70%

Teachers' Retirement System

General. TRS was established in 1955 to provide pension and other post-employment benefits to teachers and other eligible participants. TRS includes 58 employers (including the 53 school districts). TRS is a cost-sharing, multiple employer plan composed of both a defined benefit ("DB") plan and a defined contribution ("DC") plan. Membership in either plan is dependent upon the participant date of hire. The TRS DB plan is closed to all new members effective July 1, 2006.

At June 30, 2015 the TRS DB membership consisted of 5,606 active members and 12,080 retirees and beneficiaries and the TRS DC membership consisted of 4,076 active members. TRS provides pension and other post-employment benefits, death and disability benefits prior to retirement and death benefits and survivor benefits after retirement, in a combination of defined benefit (Tiers 1 and 2) and defined contribution (Tier 3) plans. TRS also funds costs of healthcare benefits through the separate Retiree Healthcare Trust within TRS. Membership in TRS is mandatory for all full- and part-time employees, including employees who are certificated elementary and secondary teachers, school nurses and certificated employees in positions requiring teaching certificates, employees in Department of Education and Early Development and Department of Labor and Workforce Development positions that require teaching certificates, University of Alaska full- and part-time teachers and with the approval of the TRS administrator, full-time administrative employees in positions requiring academic standing and certain full-time or part-time teachers of Alaska Native language or culture who elect to be covered under TRS.

Participants first hired before July 1, 1990 are Tier 1 participants of TRS and are eligible for retirement and for health insurance premiums paid by TRS earlier than members hired after July 1, 1990 (Tier 2).

Shift to Defined Contribution Plan. In 2005, the Legislature closed the TRS DB plan to members first hired on or after July 1, 2006 and created for Tier 3 employees a DC retirement plan, which is composed of a participant-directed investment account, medical benefits, a health reimbursement arrangement, and occupational disability and death benefits.

The TRS DC participant account is funded with employee contributions of 8 percent and an employer match of 7 percent. Each participant designates how contributions are to be allocated among various investment options. Participants are 100 percent vested in their employee contribution and related earnings. Employer contributions to the participant account, plus any earnings they generate are vested as shown in the following Table 18:

Table 18

TRS DC Vesting Schedule

Years of Service	Vested Percentage of Employer Contributions
1 year	0%
2 years	25%
3 years	50%
4 years	75%
5 years	100%

Source: State of Alaska, Division of Retirement & Benefits

Employee Contributions. The TRS DB member contribution rates are 8.65 percent as required by statute. Eligible TRS DB members contribute an additional 1.00 percent of their salary under a supplemental contribution provision. The DB member contributions earn interest at the rate of 7.0 percent per annum, compounded annually on June 30.

The TRS DC member contribution rate is 8.0 percent, as required by statute.

Employer Contributions. The employer contribution rate is determined by the consulting actuary and adopted by the ARM Board annually. AS 14.25.070(a) sets the employer contribution rate at 12.56 percent. The employer contribution rate is paid based on all eligible salaries of the employer without regard to the participant's tier status. The difference between the actuarially determined contribution rate and the statutory employer effective rate is paid by the State as a direct appropriation, also known as the "Additional State Contribution" under AS 14.25.085.

Employer contributions made on behalf of DC members also include funding of the DC Retiree Major Medical Plan, Occupational Death and Disability Plan, and the Health Reimbursement Arrangement. DC employer contribution rates are determined by the ARM Board and are based upon State law, administrative regulations, and the actuary's recommended employer contribution rates based upon results of the actuary's valuations.

Table 19 provides a history of the employer contribution rates from FY 2008 through FY 2015.

Table 19

TRS Employer Contribution Rates

FY	ARM Board Adopted Rate	Employer Effective Rate	DC Employer Match	DC Retiree Medical Plan	DC Occupational Death and Disability	DC Health Reimbursement Arrangement [1]
2009	44.17%	12.56%	7.00%	0.99%	0.62%	$1,616.81
2010	39.53%	12.56%	7.00%	1.03%	0.32%	1,699.71
2011	38.56%	12.56%	7.00%	0.68%	0.28%	1,720.70
2012	45.55%	12.56%	7.00%	0.58%	0.00%	1,778.09
2013	52.67%	12.56%	7.00%	0.49%	0.00%	1,848.43
2014	53.62%	12.56%	7.00%	0.47%	0.00%	1,896.60
2015 [2]	48.69%	12.56%	7.00%	2.04%	0.00%	1,960.53

(1) The employer contribution to the Health Reimbursement Arrangement is expressed as a dollar amount that must be paid in full on an annual basis for each year of service.

(2) Table 19 shows the ARMB adopted rate for FY 2015 based on a level percentage of payroll. The actual contribution for FY 2015 was the one-time transfer of $3 billion from the Constitutional Budget Reserve Fund ($1 Billion to PERS and $2 Billion to TRS) discussed in "Recent Pension Reforms."

Source: State of Alaska Division of Retirement and Benefits.

Contributions from the State of Alaska. AS 14.25.085 provides that the State is obligated to annually consider appropriating to contribute each July 1 or, as soon after July 1 as funds become available, an amount for the ensuing FY that, when combined with the total employer contribution rate of 12.56 percent, is sufficient to pay the DB past service liability at the consolidated ADC adopted by the ARM Board for the FY.

Table 20 provides a history of the TRS contributions from the State under AS 14.25.085 from FY 2008 through FY 2014. For FY 2015, the State total contribution to TRS was a one-time payment of $2 billion. For FY 2016, the ARM Board has adopted a TRS contribution rate attributable to participating employers at 29.27%. This results in employer contributions of $97,789,000 and an additional State contribution under AS 14.25.085 of $130,108,000.

Table 20

TRS Contribution from the State (under AS 14.25.085)

FY	Legislative Bill	Amount Provided by State under AS 14.25.085 ($000s)	Total Employer Contributions to TRS DB Plan ($000s)	% of Contributions made by State (1)
2008	Senate Bill 53	$269,992	$345,002	78.26%
2009	House Bill 310	206,300	292,428	70.55%
2010	House Bill 81	173,462	249,956	69.40%
2011	House Bill 300	190,850	266,871	71.51%
2012	House Bill 108	234,517	308,987	75.90%
2013	House Bill 284	302,777	375,442	80.65%
2014	House Bill 65	316,846	386,397	82.00%

(1) Percent of Contributions made by State under AS 14.25.085.

Source: State of Alaska Division of Retirement and Benefits.

Pension Benefits. Tier 1 members were hired before July 1, 1990 and are eligible for normal retirement at age 55 or for early retirement at age 50, and Tier 2 members were hired after June 30, 1990 and before July 1, 2006 and are eligible for normal retirement at age 60 and for early retirement at 55, and generally with at least eight years of paid-up membership service or other qualifying service. Members may retire at any age when they have at least 20 years of paid-up membership service or 20-25 years of a combination of paid-up membership service and other types of service. TRS members are also eligible for normal retirement if they have, for each of 20 school years, at least one-half year of membership service as a part-time teacher.

Tier 3 employees were hired after June 30, 2006 and are 100 percent vested in their own contributions from the beginning and vest in their employers' seven-percent contributions over five years: 25 percent after two years of service, 50 percent after three years of service, 75 percent after four years of service and 100 percent after five years of service. Tier 3 pension payments (the account balance plus investment income) are payable in a lump sum or over time at the employee's option.

Other Post-employment Benefits. TRS provides major medical healthcare benefits for all Tier 1 members who are at least 50 or who are any age with at least 20 years of paid-up service receive healthcare benefits and Tier 2 members who are 60 or older or who have 25 years of paid-up membership service or are disabled also receive healthcare benefits. Tier 2 members may receive coverage prior to age 60 if they pay the premiums. Medical benefits are supplemental to Medicare. For both Tier 1 and Tier 2, coverage includes coverage for eligible dependents.

For Tier 3, the TRS healthcare plan is a coinsurance major medical and prescription drug plan intended to maintain over time coinsurance levels at approximately 80 percent by the plan and 20 percent by the participant, with a maximum annual coinsurance payable by the participant of $2,500 per person and a maximum lifetime benefit payable by the plan, less any amounts paid by Medicare.

Actuarial Valuation – TRS DB. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The FY 2014 contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent assumption changes and gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the System, including those hired after July 1, 2006 who are in the Defined Contribution Retirement Plan. The amortization period is set by the ARM Board. Contribution levels are recommended by the consulting actuary and adopted by the ARM Board each year.

The Legislature has discretion to deviate from the rates recommended by the ARM Board, however, have not historically done so.

The most recent funding objective of the plan, as adopted by the ARM Board for FY 2015, was to set an employer contribution rate that will pay the normal cost and amortize the initial UAAL and each subsequent annual change in the UAAL over a closed 25-year period as a level percentage of payroll amortization.

The information about TRS funding status included in Table 21 reflects the status of TRS as of June 30, 2014. Information about TRS assets and liabilities allocable to State employers alone is not shown because most non-State TRS employers make these contributions primarily from funds provided by the State.

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Table 21

TRS Funding Status (1)
(as of June 30)

Actuarial Valuation Year	Aggregate Accrued Liability (000s)	Valuation Assets (000s)	Unfunded Accrued Liability (000s)	Funded Ratio (%)
2003	$ 5,835,609	$ 3,752,285	$ 2,083,324	64.3%
2004 (2)	6,123,600	3,845,370	2,278,230	62.8
2005	6,498,556	3,958,939	2,539,617	60.9
2006	7,229,851	4,141,700	3,088,151	57.3
2007	7,189,403	4,424,399	2,765,004	61.5
2008	7,619,178	4,936,976	2,682,202	64.8
2009	7,847,514	4,472,958	3,374,556	57.0
2010	8,847,788	4,739,128	4,108,660	53.6
2011	9,128,795	4,937,937	4,190,858	54.1
2012	9,346,444	4,869,154	4,477,290	52.1
2013	9,592,107	4,974,076	4,618,031	51.9
2014	9,841,032	6,019,274	3,821,758	61.2

See Recent Pension Reform section for actuarial projection as of June 30, 2015

(1) Includes pension benefits and other post-employment benefits.
(2) Change in asset valuation method.

Source: 2014 TRS Valuation Report, Section 1.7.

Table 22 presents the schedule of contributions from employers and the State. This schedule shows the dollar amount of the annual required contribution and the percent of the ARC contributed by employers and by the State (under AS 14.25.085).

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Table 22

TRS Schedule of Contributions from Employers and the State
(as of June 30)

Year Ended June 30	Actuarial Valuation year ended June 30 (1)	Annual required contribution: Pension (000s)	Annual required contribution: Postemployment healthcare (000s)	Annual required contribution: Total (000s)	Pension percentage contributed: By employer	Pension percentage contributed: By State	Pension percentage contributed: Total Percentage contributed	Postemployment healthcare percentage contributed: By employer	Postemployment healthcare percentage contributed: By State	Postemployment healthcare percentage contributed: Total Percentage contributed
2005	2002	$ 152,168	$55,783	$207,951	45.0%	0.0%	45.0%	45.0%	0.0%	45.0%
2006	2003	170,019	66,719	236,738	54.1	0.0	54.1	54.1	0.0	54.1
2007	2004	169,974	76,879	246,853	62.2	0.0	62.2	62.2	0.0	62.2
2008	2005	134,544	185,271	319,815	23.3	82.7	106.0	23.6	85.7	109.3
2009	2006	94,388	164,171	258,559	28.7	110.6	139.3	28.7	62.1	90.8
2010 (2)	2007	170,788	312,922	483,710	19.8	58.8	78.6	13.6	38.8	52.4
2011	2008	167,978	167,686	335,664	19.5	65.1	84.6	25.8	51.5	77.3
2012	2009	229,509	192,700	422,209	16.6	68.6	85.2	18.8	46.6	65.4
2013	2010	259,786	330,411	590,197	14.5	80.4	94.9	10.7	33.3	44.0

(1) Actuarial valuation related to annual required contribution for FY.
(2) Beginning in the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Medicare Part D subsidy.

Source: TRS Financial Statement as of June 30, 2013.

With implementation of GASB 67, information as presented in Table 21 is no longer provided in the PERS financial statements. The annual actuarially determined contribution (ADC) for pension for FY 2013 was $259,786,000, FY 2014 was $240,366,000 and for FY 2015 was $321,971,000. The contributions in relation to the ADC for FY 2013 was $234,317,000 FY 2014 was $246,461,000, and FY 2015 was $1,699,074,000, $25,469,000 less than the ADC in FY 2013 and $6,095,000 and $1,377,103,000 more than the ADC in FY 2014 and 2015 respectively. Postemployment healthcare contributions in FY 2014 for the actuarial valuation year ended June 30, 2011 were $320,797,000 of which 10.0% was paid by employers and 35.6% was paid by the State for a total percentage contributed of 45.6%.

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the latest actuarial valuation follows.

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Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay normal cost basis for pension and healthcare
Amortization Method	Level percentage of pay, closed
Equivalent Single Amortization Period	25 years
Asset Valuation Method	5-year smoothed fair value, reinitialized to fair value as of June 30, 2014
Actuarial Assumptions: Investment rate of return* Projected salary increases	 8.00% for pension, 5.08% for healthcare 6.11% for first 5 years of service grading down to 3.62% after 20 years
*Includes inflation at	3.12%
Cost-of-living adjustment	Post-retirement Pension Adjustment.

Changes in Actuarial Assumptions Since the Prior Valuation. The ARM Board contracted for an experience analysis to be performed of the actuarial assumptions underlying the TRS actuarial valuation. As a result of the experience analysis the following changes were made as of June 30, 2013 actuarial valuation. There have been no changes in actuarial method since June 20, 2013.

	June 30, 2013	**June 30, 2014**
Salary Scale	Based on actual experience from 2005 to 2009.	Rates adjusted on actual experience from 2010 to 2013.
Pre-termination Mortality	The 1994 GAM Sex-distinct Table, 1994 Base Year projected to 2013 using Projection Scale AA, adjusted 45% for males, and 55% for females.	68% of male rates and 60% of female rates of RP-2000, 2000 Base Year projected to 2018 with Projection Scale BB. Deaths are assumed to result from non-occupational causes 85% of the time.
Post-termination Mortality	The 1994 GAM Sex-distinct Table, 1994 Base Year projected to 2013 using Projection Scale AA, setback 3 years for females and 4-year setback for males	94% of male rates and 97% of female rates of RP-2000, 2000 Base Year projected to 2018 with Projection Scale BB, with a three year setback for males and a four year setback for females.
Disability Mortality	RP-2000 Disabled Retiree Mortality Table.	RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB.
Turnover	Rates adjusted based on actual experience from 2005 to 2009.	Select and ultimate rates based upon the 2010-2013 actual withdrawal experience.
Disability	Based on actual experience from 2005 to 2009.	Retirement rates based on 2010-2013 experience. Male/female rates increased and changed to Unisex rates. Disabilities are assumed to result from occupational causes 15% of the time.
Retirement	Based on actual experience from 2005 to 2009.	Retirement rats based on 2010-2013 experience.
Part-time Service	0.60 years of credited service per year.	Part-time employees are assumed to earn 0.75 years of credited service per year.

Recent Pension Reforms

In the past several years, to mitigate expected pension costs and rising employer contribution rates, the Legislature enacted a range of statutory changes to the retirement systems and to the State's approach to managing pension and OPEB costs. In 2005, the Legislature closed the PERS and TRS DB plans and to establish DC plans, each with a healthcare component, for new employees.

In 2007, the Legislature enacted Senate Bill 123, which created the Alaska Retiree Health Care Trusts (the "Retiree Healthcare Trusts"). Senate Bill 123 directed that all separately calculated employer contributions for other post-employment benefits under the DB plans and all appropriations, earnings and reserves for the payment of retiree medical obligations be credited to these separate trusts. The State received a ruling from the IRS confirming that the State could reallocate a portion of the assets of PERS and TRS to the Retiree Healthcare Trusts, which it did.

In 2008, the Legislature enacted two additional reform bills: Senate Bill 125 and the Retirement Cost Funding Act. The Retirement Cost Funding Act authorizes issuers, including the Alaska Pension Obligation Bond Corporation ("POBC"), to issue bonds and/or to enter into contracts to finance the payment by governmental employers of their share of the UAALs of the retirement systems. The Governor's budget for FY 2017 included an appropriation to the POBC in anticipation of a potential bond issuance. The proposed bonds were to be structured to realize a 90% funding level in TRS and to minimize the State's non-employer payments to the retirement system. Projected savings were to be concentrated in the final 8 years of the amortization of the unfunded liability. On February 16, 2016, the Governor's budget was amended and the appropriation to the POBC was eliminated. At this time, it is uncertain whether the POBC will be issuing bonds.

Senate Bill 125 converted PERS to a cost-sharing system, similar to TRS, and shifted to the State more of the cost of funding the UAALs of PERS and TRS. Senate Bill 125 set employer contribution rates at the higher of (i) 22 percent of total payroll for PERS and 12.56 percent of payroll for TRS and (ii) in each case, the rate required to cover the actuarially determined normal cost plus amounts required to be contributed to the DC plans' Retiree Health Care Trusts.

As proposed by the Governor, the 2014 Legislature funded a $3 billion transfer from the State's Constitutional Budget Reserve Fund to the PERS and TRS retirement trust funds as part of a plan to manage the ongoing cost of funding the unfunded liabilities. The Legislature directed $2 billion being transferred to the TRS trust and $1 billion being transferred to the PERS trust in the FY 2015 capital budget. As part of the agreement for the transfer, the Legislature also approved HB 385 that provides for any excess assets at the termination of the plan be deposited in the General Fund and that the contribution rate for liquidating past service liabilities be based on a level percent of pay method based on amortization of the past service liability for a closed term of 25 years. An additional adjustment in 2014 was provided for in SB 119, which eliminated effective in FY 2015 the two year lag in actuarial analysis for rate setting. In October, 2014, the State's consulting actuary estimated the impact of the one-time contributions and programmatic adjustments to increase the PERS projected June 30, 2015 funding ratio to 71.8% and the projected 2015 TRS funding ratio to 77.0%. This estimate was updated in the January 2016 draft valuation to a PERS June 30, 2015 funding ratio of 78.2% and the 2015 TRS funding ratio of 83.3%

The Other Retirement Systems

The Alaska National Guard and Alaska Naval Militia Retirement System. The NGNMRS was established in 1973 and includes members of the Alaska National Guard and members of the Alaska Naval Militia. Members receive voluntary retirement benefits, which do not include healthcare benefits. The Legislature made a supplemental appropriation in May 2008 of $10 million to eliminate the June 30, 2006 NGNMRS UAAL of $9.87 million. The total contribution for FY 2015 was $627,300 and for FY 2014 was $740,100.

The Judicial Retirement System. The JRS was established in 1963 and provides pension and other post-employment benefits to Supreme Court Justices and Superior, District and Appellate Court judges and the administrative director of the court system. In May 2008, the Legislature made a supplemental appropriation of $49 million to eliminate the June 30, 2006 JRS UAAL. The experience following the extra appropriation has continued within the JRS with pensions funded at 65.8% representing a $66.4 million gap and OPEB funded at 139.9% representing a $6.9 million surplus as of June 30, 2014.

The total contributions for FY 2015 as a result of HB 266 were $0 for other postemployment benefits and $5,241,619 for pensions. The total contributions for FY 2014 as a result of HB 65 were $177,445 for other postemployment benefits and $4,282,876 for pensions.

The Elected Public Officers Retirement System. The EPORS was enacted as a retirement system for elected State officials who held office between January 1, 1976 and October 14, 1976. As of June 30, 2014, the actuarial accrued liability was $20.1 million, with an expected annual benefit payment and claims cost of approximately $1.63 million. No assets are set aside to pay EPORS benefit costs.

State's Supplemental Benefits System

In 1979, State employees elected to withdraw from the Social Security system. The State established a benefit program, effective January 1, 1980, which supplements the existing public employee retirement plans. Participation in the supplemental benefits system is mandatory for each State employee and the 21 other employers participating in the supplemental benefits system. A combined employer/employee contribution of 12.26 percent of wages (one-half contributed by employees up to the wage limit in effect for Social Security in a current year) is deposited into each employee's annuity plan account. Separate contributions are allowed to a cafeteria style supplemental benefit plan to provide death, survivor, disability and health benefits.

As of June 30, 2015, the supplemental benefits system had approximately 43,800 participants. At June 30, 2015, net assets available for system benefits were $3.4 billion. These assets are held in trust by the State for the exclusive benefit of covered employees and their beneficiaries.

State's Deferred Compensation Plan

The State maintains an optional Deferred Compensation Plan (the "Plan") for the benefit of its employees. Participants under the Plan defer receipt of a portion of their salary until termination of State employment. As of June 30, 2015, the Plan had approximately 11,100 participants. As of June 30, 2015, the net assets available for Plan benefits were $815.8 million. These assets are held in trust by the State for the exclusive benefit of the covered employees and their beneficiaries.

State's Annual/Personal Leave and Sick Leave

The cost of annual/personal leave and sick leave for State employees is charged against agency appropriations when leave is used rather than when leave is earned, except when an employee's State service is terminated. In that instance, the accumulated annual/personal leave balance is charged to a terminal leave liability account that is funded by a charge to each agency's operating budget.

INVESTMENT POLICIES

General Fund, Constitutional Budget Reserve Fund and Other Subfunds

By statute, the Commissioner of the DOR is the fiduciary for many of the State's funds, including the Constitutional Budget Reserve Fund, General Fund and subfunds within the General Fund, such as the Statutory Budget Reserve Fund and the Alaska Capital Income Fund. The Commissioner's responsibilities for these funds include establishing investment policy, providing accounting and custody for the assets and monitoring and reporting the performance and characteristics of the funds and investment options. The Commissioner reviews capital market assumptions and sets an appropriate asset allocation for the General Fund, the Constitutional Budget Reserve Fund and the other subfunds, consistent with each fund's objectives and constraints. As of July 1, 2015, the target asset allocation for the Statutory Budget Reserve

Fund is 32 percent intermediate-term fixed income and 68 percent liquidity pool / short-term fixed income investments.

As of August 13, 2015, the target asset allocation for the General Fund is 32 percent intermediate-term fixed income and 68 percent liquidity pool / short-term fixed income investments.

As of July 1, 2015 the Constitutional Budget Reserve Fund main account, with an intermediate time horizon, has a target asset allocation of 23 percent broad-market fixed income, 70 percent short-term fixed income, 5 percent domestic equity pool and 2 percent international equity pool investments.

Annually, the Commissioner of the DOR adopts specific investment policies for each asset class. These investment policies specify asset class characteristics, monitoring requirements and risk controls. The Commissioner may revise the investment policies as market conditions warrant. The State employs industry consultants and a professional staff to assist in monitoring and evaluating investments.

The Permanent Fund

A governor-appointed Alaska Permanent Fund Corporation (the "APFC") Board of Trustees (the "APFC Board") sets the APFC investment policy. The policy is required to be consistent with the prudent investor rule stated in AS 37.13.120, which provides: "The prudent-investor rule as applied to investment activity of the fund means that the corporation shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the fund over time while maximizing the expected total return from both income and the appreciation of capital."

At least once each calendar year, the APFC Board reviews its asset allocation policy for the investment of fund assets for the coming year, and was last amended on May 19, 2015. This review is conducted under the guidance of APFC investment staff, with the assistance and advice of the APFC Board's investment consultant. The APFC Board's long-term investment goal is to achieve an average annual real rate of return of five percent at acceptable risk levels (measured by expected volatility).

The APFC Board has created a three-person investment advisory council to provide the APFC Board with independent advice from professionals with significant, direct experience in the management and operation of large investment funds. The role of the members of the investment advisory council is to make recommendations to the APFC Board concerning investment policies, investment strategy and investment procedures; and provide other advice as requested by the APFC Board.

The APFC Board's investment allocation includes multiple asset classes having varying risk and correlation assumptions. The APFC investment policy seeks to optimize expected return versus expected risk. The fund's current target asset allocation is: 36 percent stocks, 20 percent bonds and cash, 12 percent real estate, 17 percent private equity and absolute return, 4 percent infrastructure investments, and 11 percent other investments. The APFC Board also establishes polices and guidelines for the asset classes in which fund assets are invested.

To allow for market fluctuations and to minimize transaction costs, the APFC Board has adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, the APFC's chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's executive director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the APFC Board can approve operating for longer than 30 days within a third range (the "red zone").

LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the State, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the State taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the Bonds, or the existence or powers of the State.

Upon the delivery of the Bonds, the State will furnish a certificate, to the effect that, among other things, there is no litigation pending in any State court to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting the validity or enforceability of the Bonds.

At any given time, including the present, there are numerous civil actions filed by or pending against the State, which could positively or negatively impact revenue sources or cash flow. A short description of such material litigation is provided below.

Oil and Gas Tax Litigation

Administrative Litigation: There are a number of disputed tax assessments against oil and gas corporations that are at the administrative level and thus confidential under AS 43.05.230(a). The assessments involve the corporate income tax (AS 43.20) or the oil and gas production tax (AS 43.55). Because the taxpayers, the tax years, and the amounts involved are confidential, a more detailed description of the cases cannot be given. Due to the confidentiality statute and because the disputed tax assessments are ongoing, the State cannot give an estimate of how much is expected to be eventually recovered through settlement, the administrative proceedings, or adjudication. Moneys recovered are required to be transferred to the Constitutional Budget Reserve Fund.

Litigation Pending Before the Alaska Superior Court and the Alaska Supreme Court:

<u>Elf Aggregation:</u> Five owners of working interests in certain participating areas of the Prudhoe Bay Unit appealed DOR's January 12, 2005 decision aggregating participating areas of the Prudhoe Bay Unit for purposes of calculating Economic Limit Factors used to determine production tax liability. On October 13, 2012, the Office of Administrative Hearings granted DOR's motion for summary judgment, concluding that the aggregation decision did not constitute a regulation requiring compliance with the Administrative Procedure Act. On January 9, 2013, these working interest owners appealed the Office of Administrative Hearings decision to the State Superior Court. The Superior Court affirmed the Office of Administrative Hearings decision in its entirety. The owners have appealed to the Alaska Supreme Court (S-15891). Briefing is complete, oral argument was held on February 17, 2016. This appeal is worth several hundred million dollars in production tax revenues and interest. Any settlement on this appeal would be deposited into the Constitutional Budget Reserve Fund.

Pipeline Tariff Litigation

The State is a party to TAPS tariff litigation matters before the Regulatory Commission of Alaska (RCA) and the Federal Energy Regulatory Commission (FERC) regarding the TAPS Carriers' inclusion in the tariff rate of several hundred million dollars of imprudent expenditures made since 2004 on the TAPS Strategic Reconfiguration project (SR). The factual bases and legal standards for the SR imprudence challenge are substantially the same at the RCA and FERC. After a concurrent hearing with the RCA and FERC, the FERC Administrative Law Judge issued a favorable decision that removed these imprudent costs from the carrier's rate base for 2009 and 2010, which will in turn lower tariff rates. The ALJ's decision was recently upheld by the full FERC Commission. The RCA adopted the FERC decision on February 29, 2016. The TAPS owners have filed petitions for review of the FERC decision before the United States Court of

Appeals for the D.C. Circuit. The impact of this decision would result in payment to the state of additional royalties and production taxes for 2009 and 2010 of over $200 million. Tariff filings for 2011 and forward were held in abeyance pending a decision on the 2009 and 2010 tariff issues, but have recently been revived for settlement discussion and potential hearings. The result of these tariff proceedings may require additional refunds of production taxes and royalties by the State, but the amounts, if any, are unknown at this time.

Education and Public School Trust Matters

Citizens Alliance Protecting School Lands v. State (Public School Trust). A non-profit corporation organized to advocate for school lands issues filed suit for declaratory relief against the State in April 2013. The complaint alleges numerous breaches of trust by the State respecting public school trust lands. The Court on January 20, 2015 granted the State summary judgment dismissing most allegations including that the State has not obtained from the United States all school trust land entitlements under the Alaska Statehood Act. The parties stipulated that the remaining claims involve whether the Territory of Alaska before statehood breached trust duties to obtain more school trust lands, whether the State is responsible for any breach by the Territory, and whether any of the State's defenses apply. The State's second summary judgment motion to dismiss all remaining trust claims was granted on March 2016 and final judgment in favor of the State was entered on April 14, 2016. An appeal has been filed.

Environmental Litigation

State of Alaska v. Williams Alaska Petroleum, Inc. et al., Case No. 4FA-14-01544CI Consolidated. This case involves litigation over environmental liabilities for the North Pole Refinery, including sulfolane pollution of the North Pole drinking water aquifer. Defendant refinery operators have asserted counterclaims seeking contribution from the State due to its role of lessor of the property during 27 out of 37 years the refinery operated.

Tort Claims

The Attorney General's Office is involved in defending numerous tort claims asserted against the State and agencies. No estimate can be given as to the likelihood or financial effect on the outcome of such claims.

Medicaid Payment Rate Appeals

The Attorney General's Office is involved in defending numerous Medicaid payment rate appeals filed by providers. No estimate can be given as to the likelihood or financial effect on the outcome of such appeals.

Employment Claims

The Attorney General's Office is involved in defending numerous employment-related claims filed by present or former employees. No estimate can be given as to the likelihood or financial effect on the outcome of such claims.

Tobacco Company Litigation

In 1998, Alaska was among 46 states that entered into a settlement of claims against the nation's major tobacco companies. The companies agreed to pay $4.5 billion in 2000 with annual increases until payments reach $9 billion in 2019 and each year thereafter. The State's share, based upon its proportionate tobacco consumption, is about .034 percent of the yearly payment. This income stream is indefinite as long as Americans continue to consume tobacco products.

The Legislature authorized the State to sell to the AHFC 80 percent of the State's annual settlement income. AHFC's purchase was financed through the issuance of revenue bonds by the Northern Tobacco Securitization Corporation (the "NTSC"), a subsidiary the AHFC established and to which the right to receive 80 percent of the settlement revenues was transferred. In 2006, NTSC issued additional revenue bonds to refinance its purchase of the State's annual settlement income. The NTSC is using the income stream to pay debt service on the bonds. When the bonds are paid, the settlement income reverts to the State. The State used the bond proceeds to pay for a variety of construction and maintenance projects including rural schools, ports and harbors.

The master settlement agreement provides for a payment adjustment mechanism that, when triggered, could result in the impairment of the State's right to receive the remaining 20 percent of revenue that is not pledged to the NTSC and the NTSC could suffer a revenue shortfall. This payment adjustment mechanism has been triggered for the years 2003 - 2010. States that have diligently enforced their qualifying statute are exempted from the application of this adjustment mechanism. In July 2010, an arbitration commenced regarding which states "diligently enforced" their qualifying statutes in 2003. During that arbitration, Alaska and 15 other states/territories received notice that the participating manufacturers (tobacco companies that joined the master settlement agreement) no longer contested their diligence, rendering those states exempt from the 2003 adjustment. Arbitration for the 2004 adjustment is likely to begin in 2016. The State believes it is exempt from the adjustment for 2004 and subsequent years. The State continues to monitor and participate in this case.

Other Litigation or Threatened Litigation

Legislative Information Office (LIO) Anchorage: The Legislative Affairs Agency (LAA) entered into an agreement in 2013 with its landlord 716 West Fourth Avenue LLC (716) to renovate and expand the existing LIO office in Anchorage and to extend the lease for the premises. A suit was brought in superior court by a plaintiff claiming the lease extension was not in compliance with state procurement law. In a March, 2016 decision, the superior court entered a declaratory judgment finding the lease invalid under state procurement law. A motion for reconsideration is pending before the superior court. The time for appeal to the Alaska Supreme Court has not expired.

During the 2016 legislative session, the legislature has considered purchasing the current LIO office building and also considered leaving the LIO and purchasing or leasing another building in Anchorage. The legislature is still in session and no appropriation measures have been enacted into law to accomplish either option.

On May 10, 2016, EverBank submitted a letter to the LAA contending that the LAA may be in breach of contract if it does not fulfill its lease of the LIO. The bank asserts it loaned $28,600,000 to the landlord (716) to finance renovations to the LIO building and in connection with that lending agreement, the LAA entered into a subordination, non-disturbance and attornment agreement (SNDA) with the landlord that the bank relied upon.

APPENDIX B

FINANCIAL STATEMENTS OF THE CORPORATION

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

__________, 2016

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 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 $________________ aggregate principal amount of Collateralized Bonds, 2016 First Series (Veterans Mortgage Program) (the "2016 First Series Bonds") consisting of $________________ Subseries A-1 (Non-AMT) and $________________ Subseries A-2 (AMT) (the "Subseries A-1 Bonds" and "Subseries A-2 Bonds", respectively) and $________________ aggregate principal amount of Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program) (the "2016 Second Series Bonds" and, with the 2016 First Series Bonds, the "2016 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 2016 Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted _________, 2016, and are issued pursuant to the Indenture authorized by said resolution by and between the Corporation and U.S. Bank Trust National Association, as predecessor trustee, dated as of October 1, 1999, as amended, and the 2016 First and Second Series Supplemental Indenture, by and between the Corporation and U.S. Bank National Association, as successor trustee (the "Trustee") dated as of July 1, 2016, executed pursuant to said Indenture (together, the "Indenture").

The 2016 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 2016 Bonds in order for interest on the 2016 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 necessary to ensure that interest on the 2016 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 Certificate as to matters affecting the tax-exempt status of the 2016 Bonds, the

Corporation's Regulations and Program Materials and the certified proceedings and other certifications of public officials and certifications by officers of the Corporation furnished to us (which are material to the opinion expressed below) without undertaking to verify the same by independent investigation.

Subject to the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the State of Alaska (the "State"), the Corporation has been duly created, organized, and validly exists as a public corporation and government instrumentality in good standing under the laws of the State, performing an essential public function with full corporate power and authority under the Act, among other things, to enter into, and to perform its obligations under the terms and conditions of, the Indenture.

2. The Indenture has been duly authorized, executed and delivered, is in full force and effect, and is valid and binding upon the Corporation and enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other laws affecting creditors' rights generally from time to time in effect).

3. The 2016 Bonds have been duly and validly authorized, sold and issued by the Corporation in accordance with the Indenture and Constitution and laws of the State, including the Act and, pursuant to the Act, are issued by a public corporation and government instrumentality of the State for an essential public and governmental purpose.

4. The 2016 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.

5. The 2016 Bonds are valid and legally binding general obligations of the State of Alaska for the payment of which, in accordance with their terms, the full faith and credit of the State have been legally and validly pledged, are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture.

6. The 2016 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 and lien on all funds established by the Indenture and moneys and securities therein which the Indenture purports to create, to the extent and on the terms provided therein.

7. Under existing laws, regulations, rulings and judicial decisions, interest on the 2016 Bonds is excluded from gross income for federal income tax purposes.

8. Interest on the Subseries A-1 Bonds and 2016 Second Series Bonds is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; and interest on the Subseries A-1 Bonds is, and interest on the 2016 Second Series Bonds is not, included in calculating the "adjusted current earnings" of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

9. Interest on the Subseries A-2 Bonds is treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations.

10. Under existing laws, interest on the 2016 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).

11. 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 2016 Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Sincerely,

LAW OFFICE OF KENNETH E. VASSAR, LLC

By ____
Kenneth E. Vassar

APPENDIX D

FORM OF OPINION OF SPECIAL TAX COUNSEL

__________, 2016

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

Dear Directors:

We have acted as Special Tax Counsel to the Corporation in connection with the offering of the Alaska Housing Finance Corporation's $________________ Collateralized Bonds, 2016 First Series (Veterans Mortgage Program) (the "2016 First Series Bonds"), consisting of $________________ Subseries A-1 (Non-AMT) and $________________ Subseries A-2 (AMT) (the "Subseries A-1 Bonds" and "Subseries A-2 Bonds", respectively) and $________________ aggregate principal amount of Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program) (the "2016 Second Series Bonds" and, with the 2016 First Series Bonds, the "2016 Bonds"). In connection therewith, we have examined the provisions of Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder and have also examined the following:

(a) an Indenture between the Alaska Housing Finance Corporation (the "Corporation") and U.S. Bank Trust National Association, as predecessor trustee, dated as of October 1, 1999, as amended, and a 2016 First and Second Series Supplemental Indenture between the Corporation and U.S. Bank National Association as successor trustee (the "Trustee"), dated as of July 1, 2016, authorizing the issuance of the 2016 Bonds (together, the "Indenture");

(b) the opinion of even date herewith of the Law Office of Kenneth E. Vassar, LLC, Bond Counsel, approving the legality of the 2016 Bonds and other matters;

(c) the certificate, of even date herewith, of an authorized officer of the Corporation, to the effect that the 2016 Bonds are not "arbitrage bonds" within the meaning of the Code and as to other matters affecting the tax-exempt status of the 2016 Bonds; and

(d) such other matters of fact and law as we have deemed relevant to the rendering of this opinion.

In such examination, 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. We have relied, to the extent we deemed such reliance proper, on certificates and opinions provided to us. In rendering the opinions expressed below, we have relied, without independent investigation, upon the opinion of counsel referred to above that the Bonds have been duly and validly authorized and issued by the Corporation in accordance with the Constitution and statutes of the State of Alaska and other matters not related to federal income taxation.

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2016 Bonds in order that interest on the 2016 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2016 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government or paid to mortgagors. Noncompliance with such requirements may cause interest on the 2016 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered.

Based upon the foregoing, we are of the opinion that under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2016 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (ii) interest on the Subseries A-1 Bonds and 2016 Second Series Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest on the Subseries A-1 Bonds is, and interest on the 2016 Second Series Bonds is not, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations; and (iii) interest on the Subseries A-2 Bonds is treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation in connection with the 2016 Bonds, and we have assumed compliance by the Corporation with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2016 Bonds from gross income under Section 103 of the Code.

Except as stated in the paragraph above, we express no opinion as to any other matter with respect to the exemption of interest on the 2016 Bonds from federal income taxation or as to the treatment of any such 2016 Bonds for tax purposes by any state, city, county or other jurisdiction. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the 2016 Bonds, or under state and local tax law.

As Special Tax Counsel we were not retained to pass on, and assume no responsibility for, matters other than those covered by the specific opinions above. We did not participate in the preparation of the Official Statement with respect to the 2016 Bonds and do not express herein any views with respect thereto.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the Alaska Housing Finance Corporation (the "Corporation") in connection with the issuance of $__________ aggregate principal amount of its Collateralized Bonds, 2016 First Series (Veterans Mortgage Program) (the "First Series Bonds") and $__________ aggregate principal amount of its Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program) (together with the First Series Bonds, the "Bonds"). The Bonds are being issued pursuant to an Indenture by and between the Corporation and U.S. Bank National Association (formerly known as U.S. Bank Trust National Association), as trustee (the "Trustee"), dated as of October 1, 1999, as amended (the "Master Indenture"), and a 2016 First and Second Series Supplemental Indenture thereto, by and between the Corporation and the Trustee dated as of July 1, 2016 (the "Supplemental Indenture") (together with the Master Indenture, the "Indenture'). The Corporation covenants and agrees with the registered owners and the beneficial owners of the 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 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 Bonds, dated __________, 2016.

"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, 2016) which is consistent with the requirements of Section 4 of this Certificate. The Annual Report shall be provided not later than 180 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 the 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 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 Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bondholders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances of Bonds;

10. Release, substitution or sale of property securing repayment of the Bonds, if material;

11. Rating changes for the 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 Bonds.

SECTION 7. Dissemination Agent. The Corporation may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Corporation under this Certificate, and revoke or modify any such designation.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Certificate, the Corporation may amend this Certificate if the following conditions are met:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof or a change in the identity, nature or status of the Corporation or the type of business conducted thereby;

(b) The Certificate, as amended, would have complied with the requirements of the Rule at the time of the issuance of the 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 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 Bonds pursuant to the terms of the Indenture.

The Corporation shall deliver a copy of any such amendment to the MSRB.

[†] 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.

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 Bonds, or by the Trustee on behalf of the registered owners of Outstanding 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 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 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 Bonds, and shall create no rights in any other person or entity.

Date: ____________, 2016

ALASKA HOUSING FINANCE CORPORATION

By: ___________________________________
BRYAN D. BUTCHER
Chief Executive Officer/Executive Director

Exhibit A
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Alaska Housing Finance Corporation (the "Corporation")

Name of Bond Issue: $__________ Collateralized Bonds, 2016 First Series (Veterans Mortgage Program) and $__________ Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program)

Date of Issuance: ____________, 2016

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: ____

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is executed and delivered by the State of Alaska, acting by and through its State Bond Committee (the "State") in connection with the issuance of $__________ aggregate principal amount of Collateralized Bonds, 2016 First Series (Veterans Mortgage Program) (the "First Series Bonds"), and $__________ aggregate principal amount of Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program) (together with the First Series Bonds, the "Bonds") of the Alaska Housing Finance Corporation (the "Corporation"). The Bonds are being issued pursuant to an Indenture by and between the Corporation and U.S. Bank National Association (formerly U.S. Bank Trust National Association), as trustee (the "Trustee"), dated as of October 1, 1999, as amended, and a 2016 First and Second Series Supplemental Indenture thereto, by and between the Corporation and the Trustee, dated as of July 1, 2016 (collectively referred to herein as the "Indenture"). The State guarantees payment of principal of and interest on the Bonds. The State and the Trustee covenant and agree with the registered owners and beneficial owners of the Bonds as follows:

SECTION 1. Purpose of the Agreement. This Agreement is being executed and delivered by the State for the sole and exclusive benefit of the registered owners and beneficial owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement 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 State pursuant to, and as described in, Sections 3 and 4 of this Agreement.

"Disclosure State Representative" shall mean the Chairman of the State Bond Committee of the State 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 Agreement.

"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 Agreement.

"Official Statement" shall mean the Corporation's final Official Statement with respect to the Bonds, dated __________, 2016.

"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.

(a) The State shall provide to the MSRB an Annual Report for the preceding Fiscal Year (commencing with the Fiscal Year ending June 30, 2016) which is consistent with the requirements of Section 4 of this Agreement. The Annual Report shall be provided not later than 210 days after the Fiscal

Year to which it relates. At the same time the Annual Report is provided to the MSRB, the State shall provide the Annual Report to the Trustee. 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 Agreement; provided that the audited financial statements of the State 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.

(b) If, within 15 Business Days after the date specified in subsection (a) for providing the Annual Report to the MSRB, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the State to determine if the State is in compliance with subsection (a).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB in substantially the form attached as Exhibit A to this Agreement, subject to Section 9 of this Agreement.

SECTION 4. Content of Annual Reports. The State's Annual Report shall be substantially in the form of the Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2015, and the Alaska Public Debt 2015-2016 report (together, the "Annual Report"). The Annual Report shall contain financial and general data of the type contained in Appendix A to the Official Statement following the caption "Alaska's Public Debt," "State Financial Information -- Revenues and Expenditures," and "Government" or in such other form as may be required by AS 37.05.210 as then in effect or by any successor statute of the State. The financial statements of the State contained in the Annual Report will be prepared in conformity with generally accepted accounting principles established by the Governmental Accounting Standards Board, if available, or unaudited financial statements for such year as in effect from time to time.

If not provided as part of the Annual Report by the date required (as described under "Provisions of Annual Reports"), the State 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 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 Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bondholders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances of Bonds;

10. Release, substitution or sale of property securing repayment of the Bonds, if material;

11. Rating changes for the Bonds;

12. Bankruptcy, insolvency, receivership or similar event[†] of the State;

13. The consummation of a merger, consolidation, or acquisition involving the State 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 State shall as soon as possible file 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.

Notwithstanding the foregoing, no notice of a Listed Event need be given by the State if notice has theretofore been given by the Corporation.

SECTION 6. Termination of Reporting Obligation. The State's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The State 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 State under this Agreement, and revoke or modify any such designation.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the State may amend this Agreement 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

[†] 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 State 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 State, 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 State.

interpretations thereof or a change in the identity, nature or status of the State or the type of business conducted thereby;

(b) The Agreement, as amended, would have complied with the requirements of the Rule at the time of the issuance of the 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 Bonds as determined either by a party unaffiliated with the State (such as Bond Counsel) or by approving vote of the registered owners of a majority in principal amount of the Bonds pursuant to the terms of the Indenture.

The State shall deliver a copy of any such amendment to the MSRB.

To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, 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 Agreement will create no rights in any other person or entity. The obligation of the State to comply with the provisions of this Agreement 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 Bonds, or by the Trustee on behalf of the registered owners of Outstanding 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 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 Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the State or the Trustee to comply with this Agreement shall be an action to compel performance.

SECTION 11. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Alaska, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State, *provided* that, to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

SECTION 12. Beneficiaries. This Agreement shall inure solely to the benefit of the Corporation, the State, and the registered owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: __________, 2016

STATE OF ALASKA

By: ______________________________
DEVEN MITCHELL
State Debt Manager

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By ______________________________
TOM ZRUST
Vice President

Exhibit A
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Alaska Housing Finance Corporation (the "Corporation")

Name of Bond Issue: $__________ Collateralized Bonds, 2016 First Series (Veterans Mortgage Program) and $__________ Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program)

Date of Issuance: __________, 2016

NOTICE IS HEREBY GIVEN that ____ as required by the agreement between the State and the Trustee.

Dated: ___________________

STATE OF ALASKA

By: ____

APPENDIX F

OFFICIAL NOTICE OF SALE

OFFICIAL NOTICE OF SALE

$50,000,000[*]
Alaska Housing Finance Corporation
Collateralized Bonds
(Veterans Mortgage Program)

$32,150,000[*]
2016 First Series
$860,000[*] Subseries A-1 (Non-AMT)
$31,290,000[*] Subseries A-2 (AMT)

and

$17,850,000[*]
2016 Second Series (Non-AMT)

NOTICE IS HEREBY GIVEN that the Alaska Housing Finance Corporation (the "Corporation") will receive electronic bids for the purchase of its Collateralized Bonds, 2016 First Series (Veterans Mortgage Program) Subseries A-1 (Non-AMT) (the “2016 A-1 Bonds”) and Subseries A-2 (AMT) (the “2016 A-2 Bonds” and, together with the 2016 A-1 Bonds, the “First Series Bonds") and its Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program) (Non-AMT) (the "Second Series Bonds" and together with the First Series Bonds the "Bonds") until 11:00 a.m. Eastern Standard Time (7:00 a.m. Alaska time) on July 13, 2016 (unless postponed as described herein), exclusively through the competitive BiDCOMP/PARITY[R]Parity Electronic Bid Submission System ("Parity").

Bidders are invited to submit bids pursuant to the terms set forth herein for both Series of Bonds and may not bid for less than all the Bonds of a Series.

TERMS OF SALE

Interest. All 2016 A-1 Bonds of the same maturity must bear interest from the date of issue until the stated maturity date at a single interest rate. All 2016 A-2 Bonds of the same maturity must bear interest from the date of issue until the stated maturity date at a single interest rate. All Second Series Bonds of the same maturity must bear interest from the date of issue until the stated maturity date at a single interest rate. Bidders are invited to name the rate(s) of interest per annum to be borne by the Bonds, provided that each rate bid must be a multiple of 1/8 of 1% or 1/20 of 1%. The highest rate bid shall not exceed the lowest rate bid by more than four percent (4%). No interest rate bid shall exceed eight percent (8%).

[*] Preliminary, subject to change.

Bid Parameters. No bid shall be at a price of less than 99 percent or more than 100 percent of the aggregate maturing principal amount of the Bonds (based on Revised Amounts as described) for which a bid is submitted.

Undertakings of the Successful Bidder. Unless the bidder certifies that it has purchased the Bonds for its own account and not with view to redistribution, the initial offering prices of the Bonds must equal 100% of the principal amount thereof. By submitting its bid, each bidder agrees that, if it is awarded the Bonds, it will either retain the Bonds as a long term investment for its own account or make a bona fide public offering of the Bonds of each maturity to the public after the award at the initial offering price stipulated herein. The successful bidder for each Series of the Bonds shall, within 30 minutes after being notified of the award of such Series of Bonds, advise the Chief Financial Officer/Finance Director of the Corporation in writing (via email) of the initial public offering prices of the Bonds of such Series (the "Initial Public Reoffering Price Telecopy"). The successful bidder for each Series of the Bonds must, by email delivery received by the Chief Financial Officer/Finance Director of the Corporation within 24 hours after notification of the award, furnish the following information to the Chief Financial Officer/Finance Director of the Corporation to complete the Preliminary Official Statement in final form (the "Final Official Statement"):

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds of such Series are sold at the initial reoffering prices).

B. The identity of the underwriters if such successful bidder is part of a group or syndicate.

C. Any other material information that the Chief Financial Officer/Finance Director determines is necessary to complete the Final Official Statement.

The Bonds of both Series will be offered pursuant to a single Preliminary Official Statement and a single Final Official Statement, each of which will be completed prior to the issuance of the 2016 Bonds. After the award of the Bonds, the Corporation will prepare copies of the Final Official Statement and will include therein such additional information concerning the reoffering of the respective Series of Bonds as the successful bidder may reasonably request; provided, however, that the Corporation will not include in the Final Official Statement a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the Chief Financial Officer/Finance Director in all aspects for the accuracy and completion of information provided by such successful bidder with respect to such reoffering.

For purposes of the Internal Revenue Code of 1986, as amended, simultaneously with or before delivery of each Series of Bonds, the successful bidder for such Series shall furnish to the Corporation a certificate satisfactory to the Law Office of Kenneth E. Vassar, LLC, Bond Counsel (“Bond Counsel”) and to Hawkins Delafield & Wood LLP, Special Tax Counsel to the Corporation (“Special Tax Counsel”) to the effect that such successful bidder either (A) has purchased the Bonds of such Series at par and not with a view to distribution or resale and not in the capacity of a bond house, broker or other intermediary or (B) has (1) made a bona fide public offering of the Bonds of such Series to the public at prices no higher than, or yields no lower than, those shown on the inside cover page of the Final Official Statement, including interest accrued on the Bonds of such Series from the Dated Date, and (2) sold a substantial amount of each maturity of the Bonds of such Series to the final purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices not greater than, or yields not lower than, those shown on the inside cover page of the Final Official Statement. Bond Counsel and Special Tax Counsel advise that (i) such certificate must be made on the best knowledge, information and belief of such successful bidder, (ii) the sale to the public of more than 10% of each maturity of the Bonds of such Series at prices not greater than, or yields not lower than, those shown on the inside cover page of the Final Official Statement would be sufficient for the purpose of certifying as to the sale of a substantial amount of each maturity of the Bonds of such Series and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel and Special Tax Counsel to assure compliance with the statutory requirement.

The Corporation expects the successful bidder for each Series of Bonds to deliver copies of such Final Official Statement to persons to whom such bidder initially sells such Series of Bonds, and the Municipal Securities Rulemaking Board ("MSRB"). Such successful bidder will be required to acknowledge receipt of such Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB, to acknowledge that the Corporation expects such successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells such Series of Bonds and to certify that the Bonds of such Series will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Bidding Options. (A) Bidders may indicate that the Bonds of a Series maturing in one or more of the years stated in the schedules below (the “Principal Payment Schedule”) are to be (1) “Serial Bonds” or (2) “Term Bonds,” with the amounts stated under the column titled “Principal Amounts” to be fixed as installments (“Sinking Fund Installments”) for the Term Bonds stated. The Sinking Fund Installments stated must equal the aggregate principal amount of the Term Bonds to which the Sinking Fund Installments correspond. No more than 5 (five) Term Bonds per Series will be allowed.

Subject to modification by the Corporation as described herein, the Bonds shall mature semiannually on June 1 and December 1 of each year and in the amounts, or be retired by Sinking Fund Installments, as follows:

FIRST SERIES BONDS PRINCIPAL PAYMENT SCHEDULES*

Subseries A-1 (Non-AMT)

Date	Principal Amounts*
December 1, 2037	$860,000

*Preliminary, subject to change.

Subseries A-2 (AMT)

Date	Principal Amounts*	Date	Principal Amounts*
June 1, 2017	$600,000	December 1, 2027	$745,000
December 1, 2017	635,000	June 1, 2028	745,000
June 1, 2018	645,000	December 1, 2028	760,000
December 1, 2018	640,000	June 1, 2029	770,000
June 1, 2019	640,000	December 1, 2029	785,000
December 1, 2019	640,000	June 1, 2030	795,000
June 1, 2020	640,000	December 1, 2030	825,000
December 1, 2020	650,000	June 1, 2031	825,000
June 1, 2021	650,000	December 1, 2031	835,000
December 1, 2021	655,000	June 1, 2032	850,000
June 1, 2022	650,000	December 1, 2032	845,000
December 1, 2022	660,000	June 1, 2033	870,000
June 1, 2023	660,000	December 1, 2033	880,000
December 1, 2023	665,000	June 1, 2034	905,000
June 1, 2024	670,000	December 1, 2034	930,000
December 1, 2024	685,000	June 1, 2035	875,000
June 1, 2025	700,000	December 1, 2035	935,000
December 1, 2025	715,000	June 1, 2036	965,000
June 1, 2026	720,000	December 1, 2036	990,000
December 1, 2026	725,000	June 1, 2037	1,015,000
June 1, 2027	730,000	December 1, 2037	170,000

*Preliminary, subject to change.

SECOND SERIES BONDS PRINCIPAL PAYMENT SCHEDULES*

Date	Principal Amounts*	Date	Principal Amounts*
June 1, 2022	$345,000	December 1, 2034	$485,000
December 1, 2022	345,000	June 1, 2035	490,000
June 1, 2023	350,000	December 1, 2035	500,000
December 1, 2023	355,000	June 1, 2036	510,000
June 1, 2024	355,000	December 1, 2036	520,000
December 1, 2024	360,000	June 1, 2037	530,000
June 1, 2025	365,000	December 1, 2037	535,000
December 1, 2025	370,000	June 1, 2038	545,000
June 1, 2026	370,000	December 1, 2038	560,000
December 1, 2026	375,000	June 1, 2039	570,000
June 1, 2027	380,000	December 1, 2039	580,000
December 1, 2027	385,000	June 1, 2040	150,000
June 1, 2028	390,000	December 1, 2040	155,000
December 1, 2028	395,000	June 1, 2041	155,000
June 1, 2029	405,000	December 1, 2041	160,000
December 1, 2029	410,000	June 1, 2042	160,000
June 1, 2030	415,000	December 1, 2042	165,000
December 1, 2030	420,000	June 1, 2043	170,000
June 1, 2031	430,000	December 1, 2043	170,000
December 1, 2031	435,000	June 1, 2044	175,000
June 1, 2032	445,000	December 1, 2044	180,000
December 1, 2032	450,000	June 1, 2045	180,000
June 1, 2033	460,000	December 1, 2045	95,000
December 1, 2033	465,000	June 1, 2046	80,000
June 1, 2034	475,000	December 1, 2046	80,000

*Preliminary, subject to change.

The preliminary aggregate principal amount of a Series of Bonds, the preliminary principal amount of each maturity of a Series of Bonds and the preliminary principal amount of each Sinking Fund Installment as set forth above in the Principal Payment Schedule (the "Preliminary Aggregate Principal Amount," the "Preliminary Principal Amounts" and the "Preliminary Sinking Fund Amounts," respectively; collectively, the "Preliminary Amounts") may be revised in accordance with the procedures set forth below under "ELECTRONIC BIDDING AND BIDDING PROCEDURES - Modification." Any such revision (the "Revised Aggregate Principal Amount," the "Revised Principal Amounts," and the "Revised Sinking Fund Amounts" respectively; collectively, the "Revised Amounts") will be published via Parity no later than 4:00 p.m. prevailing Eastern Time on July 12, 2016. In the event that no such revisions are made, the

Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids and to select the successful bidder.

After selecting the successful bidder, the Corporation will determine the final aggregate principal amount, the final principal amount of each maturity of the Bonds and the final amount of each Sinking Fund Installment (the "Final Aggregate Principal Amount," the "Final Principal Amounts" and the "Final Sinking Fund Amounts," respectively; collectively, the "Final Amounts"). In determining the Final Amounts, the Corporation will not adjust the Revised Aggregate Principal Amount, the Revised Principal Amounts or the Revised Sinking Fund Amounts of any maturity by more than 15%. All Bids remain firm until 4:00 p.m. prevailing Eastern Time on the date of the receipt of the bids. The dollar amount bid by the successful bidder will be adjusted proportionately to reflect any change in the aggregate principal amount of the Bonds. The interest rates specified by the successful bidder for each maturity will not change.

Form of Bonds. The Bonds will be delivered in Book-Entry Form through the facilities of DTC against payment of the purchase price thereof (less the amount of the good faith deposit) in Federal Reserve Bank Funds.

Dated Date. The Bonds will be dated the date of delivery (the "Dated Date").

Payment of Principal and Interest. Interest on the Bonds will be payable from the Dated Date thereof on December 1, 2016, and semi-annually thereafter on the first day of June and December of each year until paid or redeemed in full.

Principal on the Bonds will be payable at maturity or upon earlier redemption to the registered owners upon presentation at the office of U.S. Bank National Association (formerly known as U.S. Bank Trust National Association), as Trustee under an Indenture dated as of October 1, 1999, and a proposed Supplemental Indenture dated as of July 1, 2016, which will secure the Bonds (together, the "Indenture").

Authorization and Purpose. The Bonds will be issued by the Corporation pursuant to Chapter 56 of Title 18 of the Alaska Statutes and Chapter 34, SLA 2002 to finance the acquisition of homes for qualified veterans residing in Alaska. The issuance of the Bonds is authorized by virtue of the bond proposition permitting and providing for a guarantee of the Bonds by the State of Alaska (the "State") passed in an election held in the State on November 5, 2002 and resolutions of the Board of Directors of the Corporation.

Security for the Bonds. The Bonds will be general obligations of the Corporation for which its full faith and credit will be pledged, subject to agreements made with the holders of other obligations of the Corporation pledging particular revenues and assets. The Bonds will be primarily secured by program obligations (the "Program Obligations") which are expected to consist initially of mortgage loans that have been originated by qualified lending institutions in the State and purchased by the Corporation under the Corporation's Veterans Mortgage Program as well as mortgage-backed certificates acquired in exchange for certain mortgage loans. These mortgage loans and certificates, along with other permitted Program Obligations together with the payments thereon, will be pledged to the Trustee under the Indenture. In addition, the Bonds will be secured by a pledge of the Pledged Revenues, as defined in the Indenture, and all assets held in any fund or account established under the Indenture.

Principal and interest on the Bonds is unconditionally guaranteed by the State. The full faith, credit, and resources of the State are pledged to the payment of the principal and interest on the Bonds and the principal and interest on the Bonds is secured by the general obligation of the State.

The Indenture must be consulted for a complete description of the security for the Bonds.

Redemption. The Bonds are subject to optional redemption and special redemption, including redemption at par, as set forth in the Indenture and Preliminary Official Statement.

ELECTRONIC BIDDING AND BIDDING PROCEDURES

Registration to Bid. All prospective bidders must be contracted customers of Parity. To become a customer contact Parity at (212) 404-8102. By submitting a bid for the Bonds, a prospective bidder represents and warrants to the Corporation that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

If any provisions of this Official Notice of Sale shall conflict with information provided by Parity, this Official Notice of Sale shall control. Further information about Parity, including any fees charged, may be obtained from Parity at (212) 404-8102.

Disclaimer. Each prospective bidder shall be solely responsible to register to bid via Parity. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Corporation nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Corporation nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of Parity, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Corporation is using Parity as a communication mechanism, and not as the Corporation's agent, to conduct the electronic bidding for the Bonds. The Corporation is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders; and the Corporation is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for Bonds, it should telephone Parity at (212) 849-5021 and notify the Chief Financial Officer of the Corporation by phone at (907) 330-8366.

Bidding Procedures. Bids must be submitted electronically for the purchase of the Bonds (all or none) by means of the Alaska Housing Finance Corporation AON Bid Form (the "Bid Form") via Parity by 11:00 a.m., prevailing Eastern Time, on July 13, 2016, unless postponed as described herein (see “Change of Bid Date and Closing Date”). Prior to that time, a prospective bidder may input and save proposed terms of its bid in Parity. Once the final bid has been saved in Parity, the bidder may select the final bid button in Parity to submit the bid to Parity. Once the bids are communicated electronically via Parity to the Chief Financial Officer of the Corporation, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Corporation, as described under "Award of Bonds" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than by means of the Bid Form via Parity. No bid will be received after the time for receiving such bids specified above.

Bid Procedure and Basis of Award. Subject to the right reserved to the Corporation to reject any or all bids, Bonds will be awarded to the bidder whose bid produces the lowest true interest cost ("TIC") and otherwise complies with this Official Notice of Sale. The TIC for the Bonds will be determined by doubling the semi-annual interest rate, compounded semiannually, necessary to discount the semiannual debt service payments from the payment dates to the dated date of the Bonds and to the aggregate purchase price.

Bids shall be retrieved, reviewed and publicly approved by the Corporation within 30 minutes of the deadline for the receipt of Bids, on July 13, 2016, at which time the bids will be considered. Bids must remain valid until at least 4:00 p.m. prevailing Eastern Time, on July 13, 2016, and if accepted by the Corporation prior to such time, shall be irrevocable except as otherwise provided in this Official Notice of Sale.

Change of Bid Date and Closing Date. The Corporation expects to take bids on the Bonds on July 13, 2016. However, the Corporation reserves the right to change, from time to time, the date or time established for the receipt of bids and will undertake to notify registered prospective bidders via notification published on Parity. Prospective bidders may request notification by email of any such changes in the date or time for the receipt of bids by so advising, FirstSouthwest, a Division of Hilltop Securities Inc. at (212) 642-4357, by 12 noon, prevailing Eastern Time, two days prior to the date fixed for the receipt of bids.

A change of the bid date and/or time will be announced via Parity not later than 4:00 p.m., prevailing Eastern Time, on the last business day prior to any announced date for receipt of bids, and an alternative sale date and time will be announced via Parity at least 20 hours prior to such alternative date and time for receipt of bids.

The Corporation may change the scheduled delivery date for the Bonds by notice given in the same manner as that set forth for a change in the date for the receipt of bids. See "Delivery and Payment" hereinafter.

The reset sale notice may state different terms and conditions of sale and may refer to this notice for any or all terms of sale. All bidders will be deemed to have assented to the above conditions by submitting a bid, and lack of actual notice of the postponement or of the reset terms of sale will not be considered.

Delivery and Payment. It is anticipated that the Bonds, in definitive form, will be available for delivery on July 27, 2016, through the facilities of The Depository Trust Company ("DTC") in New York, New York, but that the closing of the Bonds will take place in San Francisco, California; Anchorage, Alaska; New York, New York; Los Angeles, California; Chicago, Illinois; or Seattle, Washington, as may be determined by the Corporation, on the same date, or such other date and place mutually agreed upon between the successful bidder and the Corporation. Full payment of the balance of the purchase price for the Bonds must be made to the Corporation by the successful bidders in Federal Reserve Funds or other immediately available funds without cost to the Corporation at the time of delivery of the Bonds. The Bonds will be delivered in Book-Entry Form with DTC named as depository. Simultaneously with or before delivery of the Bonds, the successful bidders shall furnish to the Corporation a certificate satisfactory to Bond Counsel and to Special Tax Counsel to the effect that the successful bidder either (A) has purchased the Bonds at par and not with a view to distribution or resale and not in the capacity of a bond house, broker or other intermediary or (B) has (1) made a bona fide public offering of the Bonds to the public at prices no higher than, or yields no lower than, those shown on the inside cover page of the final Official Statement, including interest accrued on the Bonds from the Dated Date, and (2) sold a substantial amount of each maturity of the Bonds to the final purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices not greater than, or yields not lower than, those shown on the inside cover page of the final Official Statement. Bond Counsel and Special Tax Counsel advise that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of more than 10% of each maturity of the Bonds at prices not greater than, or yields not lower than, those shown on the inside cover page of the final Official Statement would be sufficient for the purpose of certifying as to the sale of a substantial amount of each maturity of the Bonds and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel and Special Tax Counsel to assure compliance with the statutory requirement.

Tax-Exempt Status. In the event that prior to the delivery of the Bonds any federal income tax law is enacted or proposed with application to the Bonds which will have a substantial adverse effect upon holders of the Bonds as such, a successful bidder may, at its option, prior to the delivery of the Bonds by the Corporation, be relieved of its obligation and the Good Faith Deposit accompanying its bid will be returned. In the opinion of Bond Counsel and Special Tax Counsel, under existing statutes and court decisions, (i) interest on the Bonds is not included in gross income for federal income tax purposes; (ii) interest on the A-1 Bonds and

Second Series Bonds is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; and (iii) interest on the A-2 Bonds is treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code, with respect to individuals and corporations. A more complete statement of tax exemption is included in the Preliminary Official Statement.

Bond Ratings. It is expected that Standard & Poor's Ratings Services ("S&P") will assign a rating of AAA to the Bonds, and that Moody's Investors Service, Inc. ("Moody's") will assign a rating of Aaa to the Bonds, on or prior to the date of issuance of the Bonds. In the event that, prior to delivery of the Bonds by the Corporation, S&P and Moody's have not assigned such respective ratings to the Bonds, a successful bidder may, at such bidder's option, prior to the delivery of the Bonds by the Corporation, be relieved of such bidder's obligation to purchase the Bonds.

Legal Opinion. The legal opinions of Bond Counsel and Special Tax Counsel will be furnished to the successful bidders without cost.

CUSIP Numbers. It is anticipated that CUSlP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by a successful bidder to accept delivery of and pay for the Bonds.

Preliminary and Final Official Statement. The Corporation's Preliminary Official Statement (the "POS"), dated July ___, 2016, is available for viewing in electronic format via the internet at the Corporation's website (www.ahfc.us). Copies are available at http://www.MuniOS.com. All bidders must review the POS and certify that they have done so prior to participating in the bidding. The Corporation shall provide a successful bidder with a reasonable number of copies of an official statement within seven (7) business days following the date of acceptance of the bid.

Continuing Disclosure Undertaking. In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the Corporation will undertake to provide certain annual financial information and the Corporation will undertake to provide notices of certain events with respect to the Bonds, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will be set forth in the final Official Statement.

Modification. The Corporation reserves the right to modify any terms of this Official Notice of Sale or the Preliminary Official Statement via notification published on Parity no later than 4:00 p.m., prevailing Eastern Time, on July 12, 2016 (or, in the event of a change in bid date or time in accordance herewith, the day prior to the reset bid date).

Additional Information. The Preliminary Official Statement is in a form which the Corporation deems final as of __________, 2016 for purposes of SEC Rule 15c2-12, but is subject to revision, amendment, and completion in a final Official Statement, as set forth in SEC Rule 15c2-12(b)(3). Electronic copies of the Preliminary Official Statement relating to the issuance of the Bonds, the proposed Indenture, and this Official Notice of Sale may be obtained from FirstSouthwest, a Division of Hilltop Securities Inc., 485 Madison Avenue, Suite 1800, New York, New York 10022.

Michael Strand
Chief Financial Officer/Finance Director
Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504
(907) 330-8366
Dated: __________, 2016

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the Alaska Housing Finance Corporation (the "Corporation") in connection with the issuance of $__________ aggregate principal amount of its Collateralized Bonds, 2016 First Series (Veterans Mortgage Program) (the "First Series Bonds") and $__________ aggregate principal amount of its Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program) (together with the First Series Bonds, the "Bonds"). The Bonds are being issued pursuant to an Indenture by and between the Corporation and U.S. Bank National Association (formerly known as U.S. Bank Trust National Association), as trustee (the "Trustee"), dated as of October 1, 1999, as amended (the "Master Indenture"), and a 2016 First and Second Series Supplemental Indenture thereto, by and between the Corporation and the Trustee dated as of July 1, 2016 (the "Supplemental Indenture") (together with the Master Indenture, the "Indenture'). The Corporation covenants and agrees with the registered owners and the beneficial owners of the 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 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 Bonds, dated __________, 2016.

"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, 2016) which is consistent with the requirements of Section 4 of this Certificate. The Annual Report shall be provided not later than 180 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 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 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 Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bondholders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances of Bonds;

10. Release, substitution or sale of property securing repayment of the Bonds, if material;

11. Rating changes for the 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 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 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 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 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 Bonds, or by the Trustee on behalf of the registered owners of Outstanding 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 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 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 Bonds, and shall create no rights in any other person or entity.

Date: ____________, 2016

ALASKA HOUSING FINANCE CORPORATION

By: ____________________________________
BRYAN D. BUTCHER
Chief Executive Officer/Executive Director

Exhibit A
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Alaska Housing Finance Corporation (the "Corporation")

Name of Bond Issue: $__________ Collateralized Bonds, 2016 First Series (Veterans Mortgage Program) and $__________ Collateralized Bonds, 2016 Second Series (Veterans Mortgage Program)

Date of Issuance: ____________, 2016

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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PHA Board Resolution
Approving Operating Budget

OMB No. 2577-0026
(exp. 12/31/2016)

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
Real Estate Assessment Center (PIH-REAC)

Previous editions are obsolete form HUD-52574 (08/2005) Public reporting burden for this collection of information is estimated to average 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is required by Section 6(c)(4) of the U.S. Housing Act of 1937. The information is the operating budget for the low-income public housing program and provides a summary of the proposed/budgeted receipts and expenditures, approval of budgeted receipts and expenditures, and justification of certain specified amounts. HUD reviews the information to determine if the operating plan adopted by the public housing agency (PHA) and the amounts are reasonable, and that the PHA is in compliance with procedures prescribed by HUD. Responses are required to obtain benefits. This information does not lend itself to confidentiality.

PHA Name: Alaska Housing Finance Corporation   PHA Code: AK001
PHA Fiscal Year Beginning: July 1, 2016   Board Resolution Number: 16-17

Acting on behalf of the Board of Commissioners of the above-named PHA as its Chairperson, I make the following certifications and agreement to the Department of Housing and Urban Development (HUD) regarding the Board's approval of (check one or more as applicable):

For COCC and all Low Rent AMP Projects

	DATE
☑ Operating Budgets approved by Board Resolution on:	June 29, 2016
☐ Operating Budget submitted to HUD, if applicable, on:	
☐ Operating Budget revision approved by Board resolution on:	
☐ Operating Budget revision submitted to HUD, if applicable, on:	

I certify on behalf of the above-named PHA that:

1. All statutory and regulatory requirements have been met;
2. The PHA has sufficient operating reserves to meet the working capital needs of its developments;
3. Proposed budget expenditures are necessary in the efficient and economical operation of the housing for the purpose of serving low-income residents;
4. The budget indicates a source of funds adequate to cover all proposed expenditures;
5. The PHA will comply with the wage rate requirement under 24 CFR 968.110(e) and (f); and
6. The PHA will comply with the requirements for access to records and audits under 24 CFR 968.325.

I hereby certify that all the information stated within, as well as any information provided in the accompaniment herewith, if applicable, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012.31, U.S.C. 3729 and 3802)

Print Board Chairman's Name: Brent Levalley	Signature:	Date: June 29, 2016

Budget
Highlights and Assumptions

For the Conventional Low Rent Housing Program
And
The Central Office Cost Center (COCC)

General

* Supports the FY2017 MTW Plan Year #8
* All Salaries were calculated using the FY2016 Salary Schedules (no FY2017 COLA)
* Fully funds all current and projected contracts as submitted in the Governor's budget
* Allows for changes between Categories but holds to the Bottom Line

Central Office Cost Center

* COCC Funded 100% through Management Fees
* Complies with HUD's Asset Management rules
* Federal PHD program management fees cover 94.5% of PHD's COCC expenses
* Reduces $835,800 from prior year's budget: Training (273,600); Contractual ($520,500); Supplies ($41,700)
* Continues to fund three Section 3 Trainee positions and all PHD's Summer Student Hires

Asset Management Developments (AMPs)

* Utilizes Moving to Work (MTW) funding Opportunities
* Complies with HUD's Asset Management rules
* Pays 100% of Management Fees
* Has sufficient revenues/reserves to cover all expected expenses

Alaska Housing Finance Corporation
FY2017 Operating Budget
June 17, 2016

*** DRAFT -- Budget Worksheet ***

FY2015 Base		Allocated	Appropriated
$ 33,275,500.00	Corporate Receipts	$ 32,439,700.00	$ 32,439,700.00
$ 57,071,000.00	Federal Receipts	$ 59,071,000.00	$ 59,071,000.00
$ 2,349,800.00	CIP Receipts	$ 2,349,800.00	$ 2,349,800.00
$ 800,000.00	Inter-Agency Receipts	$ 800,000.00	$ 800,000.00
$ 93,496,300.00	Total Funding Sources	$ 94,660,500.00	$ 94,660,500.00

Federal Receipt Programs	Mmgt Fees	Salaries	Travel	196903 Contractual	Supplies	Equipment	Grants	Total	w/Fees
Low Rent Program	$ 1,271,181.00	$ 7,987,635.00	$ 73,296.00	$ 6,359,750.00	$ 901,250.00	$ 120,000.00	$ -	$ 15,441,931.00	$ 16,713,112.00
Section 8 New Const	$ 453,102.00	$ 2,003,927.00	$ 10,845.00	$ 1,554,317.00	$ 231,865.00	$ -	$ -	$ 3,800,954.00	$ 4,254,056.00
Housing Choice Vouchers	$ 1,060,290.00	$ 3,953,738.00	$ 82,150.00	$ 415,006.00	$ 95,785.00	$ 30,000.00	$ 32,261,733.00	$ 36,838,412.00	$ 37,898,702.00
VASH	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,695,207.00	$ 1,695,207.00	$ 1,695,207.00
NED	$ -	$ -	$ -	$ -	$ -	$ -	$ 258,427.00	$ 258,427.00	$ 258,427.00
Section 8 Mod Rehab	$ 65,930.00	$ -	$ -	$ 8,164.00	$ -	$ -	$ 430,676.00	$ 438,840.00	$ 504,770.00
Restricted Budget Authority	$ -	$ -	$ 69,009.00	$ 150,263.00	$ -	$ 24,000.00	$ 353,957.00	$ 597,229.00	$ 597,229.00
	$ 2,850,503.00	$ 13,945,300.00	$ 235,300.00	$ 8,487,500.00	$ 1,228,900.00	$ 174,000.00	$ 35,000,000.00	$ 59,071,000.00	$ 61,921,503.00
	Base Appropriation:	$ 13,945,300.00	$ 235,300.00	$ 8,487,500.00	$ 1,228,900.00	$ 174,000.00	$ 35,000,000.00	$ 59,071,000.00	$ 61,921,503.00
		$ -	$ -	$ -	$ -	$ -	$ -	$ -	

Corporate Receipt Programs	Mmgt Fees	Salaries	Travel	Contractual	Supplies	Equipment	Grants	Total	w/Fees
Central Office Cost Center	$ -	$ 23,817,505.00	$ 488,700.00	$ 6,290,700.00	$ 707,900.00	$ 138,100.00	$ -	$ 31,442,905.00	$ 31,442,905.00
Mortgage Administration	$ 29,391,187.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 29,391,187.00
Other Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Low Income Tax Credit	$ -	$ 173,117.00	$ 12,000.00	$ -	$ -	$ -	$ -	$ 185,117.00	$ 185,117.00
HOME Investment Progam	$ -	$ 586,807.00	$ -	$ -	$ -	$ -	$ -	$ 586,807.00	$ 586,807.00
State Energy Program (SEP)	$ -	$ 35,850.00	$ -	$ -	$ -	$ -	$ -	$ 35,850.00	$ 35,850.00
PHD Temps	$ -	$ 189,021.00	$ -	$ -	$ -	$ -	$ -	$ 189,021.00	$ 189,021.00
Restricted Budget Authority	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 29,391,187.00	$ 24,802,300.00	$ 500,700.00	$ 6,290,700.00	$ 707,900.00	$ 138,100.00	$ -	$ 32,439,700.00	$ 61,830,887.00
	Base Appropriation:	$ 24,802,300.00	$ 500,700.00	$ 6,290,700.00	$ 707,900.00	$ 138,100.00	$ -	$ 32,439,700.00	
		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

CIP Receipt Programs	Mmgt Fees	Salaries	Travel	Contractual	Supplies	Equipment	Grants	Total	w/Fees
Other	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Senior & Statewide	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
HOME Program	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PHD Facilities Mgmt Projects	$ -	$ 1,051,510.00	$ -	$ -	$ -	$ -	$ -	$ 1,051,510.00	$ 1,051,510.00
State Weatherization	$ -	$ 1,298,290.00	$ -	$ -	$ -	$ -	$ -	$ 1,298,290.00	$ 1,298,290.00
Normal Weatherization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capital Fund Program (CFP)	$ 198,010.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 198,010.00
Restricted Budget Authority	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 198,010.00	$ 2,349,800.00	$ -	$ -	$ -	$ -	$ -	$ 2,349,800.00	$ 2,547,810.00
	Base Appropriation:	$ 2,349,800.00	$ -	$ -	$ -	$ -	$ -	$ 2,349,800.00	
		$ -	$ -	$ -	$ -	$ -	$ -	$ -	

Inter-Agency Reciepts	Mmgt Fees	Salaries	Travel	Contractual	Supplies	Equipment	Grants	Total	
LiHeap	$ -	$ -	$ -	$ -	$ -	$ -	$ 800,000.00	$ 800,000.00	$ 800,000.00
	$ -	$ -	$ -	$ -	$ -	$ -	$ 800,000.00	$ 800,000.00	$ 800,000.00
	$ 32,439,700.00	$ 41,097,400.00	$ 736,000.00	$ 14,778,200.00	$ 1,936,800.00	$ 312,100.00	$ 35,800,000.00	$ 94,660,500.00	$ 127,100,200.00
Authorized Totals	$ 32,439,700.00	$ 41,097,400.00	$ 736,000.00	$ 14,778,200.00	$ 1,936,800.00	$ 312,100.00	$ 35,800,000.00	$ 94,660,500.00	$ 127,100,200.00
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Central Office Cost Center

Operating Budget

COCC

Annual Summary Budget

Corporate Receipt Funding Reconciliation

June 17, 2016

Salaries/Benefits

$	24,802,300.00	Total Authority
$	35,850.00	SEP Match
$	586,807.00	HOME
$	173,117.00	LIHTC
$	189,021.00	PHD Temps
$	23,817,505.00	Summary
$	24,802,300.00	Total COCC
$	-	Difference

Travel/Training

$	500,700.00	Total Authority
$	-	SEP Match
$	12,000.00	LiHTC
$	488,700.00	Summary
$	500,700.00	Total COCC
$	-	Difference

Contractual

$	6,290,700.00	Total Authority
$	-	SEP Match
$	-	LiHTC
$	6,290,700.00	Summary
$	6,290,700.00	Total COCC
$	-	Difference

Supplies

$	707,900.00	Total Authority
$	-	SEP Match
$	-	LiHTC
$	707,900.00	Summary
$	707,900.00	Total COCC
$	-	Difference

Equipment

$	138,100.00	Total Authority
$	138,100.00	Summary
$	-	Difference

	32,439,700.00	From ABS w/ Adjustments	
	32,439,700.00	Total Summary Authority	-
$	31,442,905.00	COCC Summary	
$	185,117.00	LIHTC	
$	586,807.00	HOME	
$	35,850.00	SEP	
$	189,021.00	PHD Temps	
	32,439,700.00	Total Expense Budget	
$	-	Total Difference	

Alaska Housing Finance Corporation

Central Office Cost Center

FY2017

June 17, 2016

Program Summary

**** DRAFT Budget Preparation ****

Prog L1	Proj L2	FY A1	Dept A2	Source A3	Line Item A4	Sub 1 A5	Sub 2 A6	Budget Totals	Description
Revenue									
1	101	2017	420	1103	5001	0	0	$ (2,001,060.00)	Bookkeeping Fees
1	101	2017	420	1103	5002	0	0	$ (193,800.00)	Asset Management Fees
1	101	2017	420	1103	5003	0	0	$ (29,248,045.00)	Management Fees
1	101	2017	XXX	1103	5530	0	0	$ -	Other Income
1	101	2017	XXX	1103	5115	0	0	$ -	Investment Income
					Total Project Revenue:			$ (31,442,905.00)	
Expenses									
1	101	2017	XXX	1103	7110	0	0	$ 13,732,231.92	Administrative Salaries
1	101	2017	XXX	1103	7135	0	0	$ 56,176.08	Honoraria / Stipends
1	101	2017	XXX	1103	7176	0	0	$ 383,276.00	Worker's Compensation
1	101	2017	XXX	1103	7177	0	0	$ -	Leave Cash-in
1	101	2017	XXX	1103	7178	0	0	$ 290,905.00	Terminal Leave
1	101	2017	XXX	1103	7182	0	0	$ 1,054,699.00	FICA
1	101	2017	XXX	1103	7184	0	0	$ 4,999,822.92	Medical Insurance
1	101	2017	XXX	1103	7186	0	0	$ 3,031,535.00	PERs
1	101	2017	XXX	1103	7188	0	0	$ 74,449.00	Esc.
1	101	2017	XXX	1103	7190	0	0	$ 74,410.00	Optional Life
1	101	2017	XXX	1103	7192	0	0	$ 5,000.00	Medical Surveilance
1	101	2017	XXX	1103	7194	0	0	$ 45,000.00	Emp. Benefit Insurance Fees
1	101	2017	XXX	1103	7196	0	0	$ 70,000.00	Health Club Reimbursement
					Total Salary and Benefit Expense:			$ 23,817,505.00	
1	101	2017	XXX	1103	7205	XX	XX	$ 289,500.00	Travel -
1	101	2017	XXX	1103	7205	XX	XX	$ -	Travel -
1	101	2017	XXX	1103	7210	XX	XX	$ 199,200.00	Training -
1	101	2017	XXX	1103	7210	XX	XX	$ -	Training -
					Total Travel & Training:			$ 488,700.00	
1	101	2017	XXX	1103	7410	XX	XX	$ 195,000.00	HQ Utilities
1	101	2017	XXX	1103	7411	XX	XX	$ 655,000.00	HQ Maintenance & Repair
1	101	2017	XXX	1103	7420	0	0	$ 445,805.00	Legal Expenses
1	101	2017	XXX	1103	7425	0	0	$ 106,040.00	Audit Fees
1	101	2017	XXX	1103	7430	0	0	$ -	Fiscal Fees
1	101	2017	XXX	1103	7435	0	0	$ 15,000.00	Annual Report
1	101	2017	XXX	1103	7440	0	0	$ 21,000.00	Temporary Contractual Prof. Services
1	101	2017	XXX	1103	7455	0	0	$ 202,531.00	Office Overhead
1	101	2017	XXX	1103	7456	0	0	$ 4,000.00	Bank Fees
1	101	2017	XXX	1103	7460	0	0	$ 19,100.00	Printing
1	101	2017	XXX	1103	7475	0	0	$ 114,096.00	Office Rent
1	101	2017	XXX	1103	7480	0	0	$ 7,500.00	Space/Booth Rent
1	101	2017	XXX	1103	7485	XX	0	$ 45,000.00	Storage Space Rent/Lease
1	101	2017	XXX	1103	7490	0	0	$ 132,795.00	Membership Dues
1	101	2017	XXX	1103	7491	0	0	$ 43,523.00	Subscriptions & Publications
1	101	2017	XXX	1103	7495	0	0	$ 103,900.00	Equipment Rental & Maintenance
1	101	2017	XXX	1103	7500	0	0	$ 233,960.00	Telephone
1	101	2017	XXX	1103	7510	0	0	$ 99,000.00	Data Communications
1	101	2017	XXX	1103	7515	0	0	$ 32,000.00	Information Services
1	101	2017	XXX	1103	7520	0	0	$ -	Computer Expense
1	101	2017	XXX	1103	7525	0	0	$ 311,000.00	Computer Maintenance Contracts
1	101	2017	XXX	1103	7530	0	0	$ -	Network Maintenance Contracts
1	101	2017	XXX	1103	7535	0	0	$ -	PC Maintenance Contracts

Program Summary **** DRAFT Budget Preparation ****

Prog L1	Proj L2	FY A1	Dept A2	Source A3	Line Item A4	Sub 1 A5	Sub 2 A6		Budget Totals	Description
1	101	2017	XXX	1103	7540	0	0	$	417,000.00	Advertising
1	101	2017	XXX	1103	7545	0	0	$	2,373,565.00	Consulting Services
1	101	2017	XXX	1103	7550	0	0	$	8,000.00	Conference Expense
1	101	2017	XXX	1103	7570	0	0	$	-	Resident Services Cable TV
1	101	2017	XXX	1103	7575	0	0	$	7,400.00	Protective Services
1	101	2017	XXX	1103	7580	0	0	$	649,885.00	Insurance
1	101	2017	XXX	1103	7590	0	0	$	8,400.00	Freight & Express Expenses
1	101	2017	XXX	1103	7600	0	0	$	5,000.00	Late Fees
1	101	2017	XXX	1103	7652	0	0	$	-	Water
1	101	2017	XXX	1103	7655	0	0	$	200.00	Electricity
1	101	2017	XXX	1103	7657	0	0	$	-	Natural Gas
1	101	2017	XXX	1103	7705	0	0	$	-	Maintenance Contracts
1	101	2017	XXX	1103	7710	0	0	$	10,500.00	Vehicle Repair & Maintenance Contracts
1	101	2017	XXX	1103	7735	0	0	$	24,500.00	Casusalty Loss Contracts
							Total Contractual:	$	6,290,700.00	
1	101	2017	XXX	1103	7805	0	0	$	10,300.00	Gas, Oil & grease
1	101	2017	XXX	1103	7810	0	0	$	600.00	Vehicle Maintenance Supplies
1	101	2017	XXX	1103	7825	0	0	$	1,500.00	Maintenance Equipment <$5,000
1	101	2017	XXX	1103	8005	0	0	$	138,217.00	General Office Supplies
1	101	2017	XXX	1103	8010	0	0	$	117,500.00	Postage
1	101	2017	XXX	1103	8015	0	0	$	83,287.00	Office Equipment < $5,000
1	101	2017	XXX	1103	8020	0	0	$	179,117.00	Software
1	101	2017	XXX	1103	8025	0	0	$	11,379.00	PC Supplies
1	101	2017	XXX	1103	8030	0	0	$	152,500.00	PC & Printers < $5,000
1	101	2017	XXX	1103	8035	0	0	$	1,000.00	Network Software
1	101	2017	XXX	1103	8040	0	0	$	-	Network Computer Supplies
1	101	2017	XXX	1103	8045	0	0	$	10,000.00	Network Computer & Printers < $5,000
1	101	2017	XXX	1103	8050	0	0	$	2,500.00	Resident Services Supplies
							Total Supplies:	$	707,900.00	
1	101	2017	XXX	1103	2525	XXX	XX	$	138,100.00	Office Equipment > $5,000
							Total Equipment:	$	138,100.00	
1	101	2017	XXX	1103	8790	0	0	$	-	Housing Grants to Other Agencies
							Total Grants:	$	-	
							Total Budget Expense:	$	31,442,905.00	
							Total Expected Profit / (Loss):	$	-	
							One Month's Operating Expenses:	$	2,620,242.08	
							Excess Cash:		Yes	
							Estimated Operating Reserve as of March 31, 2016:	$	62,271,218.46	

Alaska Housing Finance Corporation

Public Housing Division

AMP Summary of Budgets for FY2017

June 17, 2016

		Income from All Sources	All Expenses	Projected Profit/ (Loss)		Projected (*) Reserve at 3/31/2017	Exceeds Income By:	Sufficient Reserves?	One Mths Operating Expenses
271	AnchSouth	$ 2,353,760.00	$ 2,353,521.00	$ 239.00	100%	$ 749,542.00		Yes	196,126.75
247	AnchCentral	$ 1,397,391.00	$ 1,264,297.00	$ 133,094.00	90%	$ 902,456.00		Yes	105,358.08
274	AnchEast	$ 2,636,066.00	$ 2,544,765.00	$ 91,301.00	97%	$ 1,166,528.00		Yes	212,063.75
275	Fairbanks	$ 2,281,126.00	$ 2,166,477.00	$ 114,649.00	95%	$ 901,261.00		Yes	180,539.75
277	Juneau	$ 2,624,523.00	$ 2,614,745.00	$ 9,778.00	100%	$ 1,095,929.00		Yes	217,895.42
279	Ketchikan	$ 913,224.00	$ 830,585.00	$ 82,639.00	91%	$ 510,240.00		Yes	69,215.42
216	Cordova-Eyak	$ 272,313.00	$ 262,056.00	$ 10,257.00	96%	$ 115,359.00		Yes	21,838.00
213	Wrangell-Etolin	$ 282,126.00	$ 279,908.00	$ 2,218.00	99%	$ 134,351.00		Yes	23,325.67
263	Valdez	$ 203,584.00	$ 203,468.00	$ 116.00	100%	$ 160,012.00		Yes	16,955.67
280	Sitka	$ 617,334.00	$ 558,550.00	$ 58,784.00	90%	$ 318,064.00		Yes	46,545.83
257	Bethel	$ 2,052,647.00	$ 2,047,157.00	$ 5,490.00	100%	$ 766,155.00		Yes	170,596.42
260	Nome	$ 584,648.00	$ 583,577.00	$ 1,071.00	100%	$ 336,162.00		Yes	48,631.42
265	Kodiak	$ 617,816.00	$ 617,512.00	$ 304.00	100%	$ 138,035.00		Yes	51,459.33
244	Wasilla	$ 387,395.00	$ 386,494.00	$ 901.00	100%	$ 106,325.00		Yes	32,207.83
		$ 17,223,953.00	$ 16,713,112.00	$ 510,841.00	97%	**$ 7,325,419.00**		Yes	1,392,759.33
348	Bethel Energy	$ 10,835.00	$ 10,694.00	$ 141.00	99%	$ 54,167.00		Yes	891.17
349	East 9th	$ 42,773.00	$ 37,218.00	$ 5,555.00	87%	$ 55,951.00		Yes	3,101.50
351	Chugach View	$ 1,575,450.00	$ 1,331,837.00	$ 243,613.00	85%	$ 3,126,751.00		Yes	110,986.42
352	Fbx - Golden Towers	$ 1,413,560.00	$ 1,026,399.00	$ 387,161.00	73%	$ 4,271,347.00		Yes	85,533.25
353	Ptarmigan	$ 309,225.00	$ 184,096.00	$ 125,129.00	60%	$ 1,358,401.00		Yes	15,341.33
354	Cordova-Sunset View	$ 317,943.00	$ 301,941.00	$ 16,002.00	95%	$ 497,536.00		Yes	25,161.75
355	Seward - Glacier View	$ 427,450.00	$ 426,749.00	$ 701.00	100%	$ 100,140.00		Yes	35,562.42
360	Wrangell-Mrkt	$ 280,375.00	$ 279,795.00	$ 580.00	100%	$ 36,949.00		Yes	23,316.25
381	Alpine Terrace	$ 473,950.00	$ 471,454.00	$ 2,496.00	99%	$ 466,914.00		Yes	39,287.83
		$ 4,851,561.00	$ 4,070,183.00	$ 781,378.00	84%	$9,968,156.00		Yes	339,181.92
		$ 22,075,514.00	$ 20,783,295.00	$ 1,292,219.00		$ 17,293,575.00			

*Notes:

(*) Projected Operating Reserve @ 3/30/2017 less projected transfers.

* $926,084 from Project Reserves to supplement subsidy revenue for all Low Rent Properties during FY2017.

\+ CFP Management Operations used in Cordova, Valdez, Bethel, Wasilla, Kodiak, and Nome.

o Projects requiring, or providing, a Subsidy Transfers in order to break-even, or maintain sufficient reserve levels, or both.

Alaska Housing Finance Corporation

Public Housing Division

5883.870683

June 17, 2016

		(+) CFP	(o) Subsidy Transfer	Projected 3/31/2017 FY2017	3/31/2016 FY2016	(*) Reserves To Be Used In FY2016	Added By 6/30/2017 CFP	(*) Reserves Tranfered FY2016
271	AnchSouth	-	(55,000)	749,542.00	1,262,636.00	130,756.00	214,218.00	541,795.00
247	AnchCentral	-	(69,000)	902,456.00	1,132,704.00	72,256.00	145,233.00	367,319.00
274	AnchEast	-	(75,000)	1,166,528.00	1,684,691.00	147,663.00	252,947.00	639,747.00
275	Fairbanks	-	(75,000)	901,261.00	1,306,230.00	139,249.00	199,695.00	505,064.00
277	Juneau	-	(75,000)	1,095,929.00	1,677,518.00	133,269.00	250,526.00	633,624.00
279	Ketchikan	-	-	510,240.00	610,494.00	47,791.00	88,350.00	223,452.00
216	Cordova-Eyak	-	-	115,359.00	151,285.00	16,571.00	19,364.00	48,976.00
213	Wrangell-Etoli	-	-	134,351.00	188,821.00	19,673.00	24,205.00	61,220.00
263	Valdez	100,000	3,000	160,012.00	76,993.00	7,142.00	8,472.00	21,427.00
280	Sitka	-	65,000	318,064.00	303,466.00	27,754.00	53,252.00	134,684.00
257	Bethel	82,500	150,000	766,155.00	856,017.00	111,318.00	141,602.00	358,136.00
260	Nome	-	166,000	336,162.00	254,828.00	24,663.00	39,939.00	101,013.00
265	Kodiak	-	22,000	138,035.00	218,057.00	28,297.00	48,411.00	122,440.00
244	Wasilla	-	18,000	106,325.00	166,329.00	19,682.00	38,729.00	97,952.00
		182,500.00	-	7,325,419.00	9,890,069.00	926,084.00	1,524,943.00	3,856,850.00
		182,500.00	-	7,325,419.00	9,890,069.00	926,084.00	1,524,943.00	3,856,850.00
		-	-	-	-	-	-	-
348	Bethel Energy			54,167.00	54,025.50	-	-	-
349	East 9th			55,951.00	50,395.82	-	-	-
351	Chugach View			3,126,751.00	3,343,438.47	-	-	460,300.00
352	Fbx - Golden Towers			4,271,347.00	4,174,585.60	-	-	290,400.00
353	Ptarmigan			1,358,401.00	1,433,271.50	-	-	200,000.00
354	Cordova-Sunset View			497,536.00	553,033.89	-	-	71,500.00
355	Seward - Glacier View			100,140.00	149,438.61	-	-	50,000.00
360	Wrangell-Mrkt			36,949.00	36,368.67	-	-	-
381	Alpine Terrace			466,914.00	535,367.58	-	-	70,950.00
				9,968,156.00	10,329,925.64	-	-	1,143,150.00

FY2017 CIP: Facilities Management Program Funding: 5,000,000.00

Low Rent Program

Operating Budget

Asset Management Project (AMP)

Annual Site Budgets

	Alaska Housing Finance Corporation Site Budgets (Annual) July 1, 2016 Through June 30, 2017						
	Totals Low-Rent	South Anchorage	Central Anchorage	East Anchorage	Fairbanks	Juneau	Ketchikan
		271	247	274	275	277	279
Family/Elderly		Family	Elderly	Family	Family/Elderly	Family/Elderly	Family/Elderly
Scattered Site?		Yes	No	Yes	No	No	No
Age		1967-1986	1987	1969-1986	1973-2000	1966-1998	1969-1977
Recently Renovated?		No	No	No	No	No	Yes
Units	1,242	177	120	193	165	206	73
Average Bedroom Size	2.22	2.56	1.00	2.35	2.49	2.02	1.44
% Occupancy	98%	98%	99%	98%	99%	99%	99%
# of Turn-Overs 4/15 to 3/16	212	33	14	17	26	49	10
PEL	562.46	590.32	462.25	607.85	552.16	522.71	506.05

		AMP Total	Anchorage South 271	Anchorage Central 247	Anchorage East 274	Fairbanks 275	Juneau 277	Ketchikan 279
Income	Dwelling Rents	$ (5,994,235.00)	$ (832,506.00)	$ (566,942.00)	$ (966,745.00)	$ (732,244.00)	$ (1,063,202.00)	$ (341,509.00)
	Operating Subsidy	$ (8,091,289.00)	$ (1,142,431.00)	$ (631,305.00)	$ (1,290,151.00)	$ (1,216,634.00)	$ (1,164,381.00)	$ (417,550.00)
	Rental Misc. Charges	$ (214,666.00)	$ (43,455.00)	$ (5,095.00)	$ (21,912.00)	$ (30,284.00)	$ (36,172.00)	$ (2,539.00)
	Transfer from Capital Fund	$ (926,084.00)	$ (130,756.00)	$ (72,256.00)	$ (147,663.00)	$ (139,249.00)	$ (133,269.00)	$ (47,791.00)
	MTW Fungibility - Operating Reserve	$ (1,742,504.00)	$ (159,218.00)	$ (76,233.00)	$ (177,947.00)	$ (124,695.00)	$ (175,526.00)	$ (88,350.00)
	Cable TV	$ (26,380.00)	$ -	$ (25,760.00)	$ -	$ -	$ -	$ -
	Excess Utilities	$ (68,270.00)	$ (11,224.00)	$ (3,347.00)	$ -	$ (20,737.00)	$ (24,254.00)	$ (1,920.00)
	Laundry	$ (114,590.00)	$ (33,590.00)	$ (16,185.00)	$ (31,308.00)	$ (9,409.00)	$ (4,777.00)	$ (9,540.00)
	Other Income	$ (2,574.00)	$ -	$ -	$ -	$ (1,430.00)	$ -	$ -
	Non Dwelling Rent	$ (40,660.00)	$ -	$ -	$ -	$ (6,000.00)	$ (22,510.00)	$ (3,900.00)
	Investment Income	$ (2,701.00)	$ (580.00)	$ (268.00)	$ (340.00)	$ (444.00)	$ (432.00)	$ (125.00)
	Total Income	$ (17,223,953.00)	$ (2,353,760.00)	$ (1,397,391.00)	$ (2,636,066.00)	$ (2,281,126.00)	$ (2,624,523.00)	$ (913,224.00)
Expense								
Dept								
AMP	Administrative Salaries	$ 1,104,981.00	$ 128,952.00	$ 38,774.00	$ 120,206.00	$ 136,087.00	$ 180,996.00	$ 65,822.00
AMP	Maintenance Labor	$ 3,012,636.00	$ 529,875.00	$ 191,058.00	$ 575,417.00	$ 301,995.00	$ 416,528.00	$ 139,903.00
AMP	Temporary Maintenance Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMP	Worker's Compensation	$ 114,469.00	$ 18,315.00	$ 6,389.00	$ 19,338.00	$ 12,179.00	$ 16,611.00	$ 5,719.00
AMP	Leave Cash-In	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMP	Terminal Leave	$ 86,882.00	$ 13,901.00	$ 4,849.00	$ 14,678.00	$ 9,244.00	$ 12,608.00	$ 4,341.00
AMP	FICA	$ 314,996.00	$ 50,400.00	$ 17,582.00	$ 53,215.00	$ 33,513.00	$ 45,711.00	$ 15,738.00
AMP	Medical Insurance	$ 2,142,954.00	$ 311,570.00	$ 84,777.00	$ 364,589.00	$ 207,933.00	$ 390,510.00	$ 107,114.00
AMP	PERs	$ 905,875.00	$ 144,942.00	$ 50,563.00	$ 153,037.00	$ 96,378.00	$ 131,455.00	$ 45,260.00
AMP	ESC	$ 22,235.00	$ 3,558.00	$ 1,241.00	$ 3,756.00	$ 2,366.00	$ 3,227.00	$ 1,111.00
AMP	Optional Life	$ 22,235.00	$ 3,558.00	$ 1,241.00	$ 3,756.00	$ 2,366.00	$ 3,227.00	$ 1,111.00
109	Administrative Salaries	$ 139,896.00	$ 55,441.00	$ 31,681.00	$ 52,774.00	$ -	$ -	$ -
109	Worker's Compensation	$ 3,889.00	$ 1,541.00	$ 881.00	$ 1,467.00	$ -	$ -	$ -
109	Leave Cash-In	$ -	$ -	$ -	$ -	$ -	$ -	$ -
109	Terminal Leave	$ 2,952.00	$ 1,170.00	$ 668.00	$ 1,114.00	$ -	$ -	$ -
109	FICA	$ 10,702.00	$ 4,241.00	$ 2,424.00	$ 4,037.00	$ -	$ -	$ -
109	Medical Insurance	$ 70,646.00	$ 28,258.00	$ 16,148.00	$ 26,240.00	$ -	$ -	$ -
109	PERs	$ 30,777.00	$ 12,197.00	$ 6,970.00	$ 11,610.00	$ -	$ -	$ -
109	ESC	$ 755.00	$ 299.00	$ 171.00	$ 285.00	$ -	$ -	$ -
109	Optional Life	$ 755.00	$ 299.00	$ 171.00	$ 285.00	$ -	$ -	$ -
	Travel	$ 31,946.00	$ -	$ -	$ -	$ 7,000.00	$ 7,500.00	$ 2,622.00
	Training	$ 41,350.00	$ 4,155.00	$ 2,300.00	$ 3,045.00	$ 2,900.00	$ 6,400.00	$ 3,900.00
	Management Operations (CFP)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Office Overhead	$ 2,400.00	$ 1,100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00
	Legal Expenses	$ 98,385.00	$ 20,000.00	$ 16,000.00	$ 15,000.00	$ 15,000.00	$ 12,000.00	$ 3,000.00
	Audit Fees	$ 40,439.00	$ 5,293.00	$ 3,509.00	$ 5,642.00	$ 4,824.00	$ 10,000.00	$ 2,134.00
	Temp Contractual Employees	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Office Rent	$ 10,772.00	$ -	$ -	$ -	$ -	$ -	$ -
	Subscriptions & Publications	$ 200.00	$ -	$ -	$ -	$ 200.00	$ -	$ -
	Equipment Rental & Maintenance	$ 25,510.00	$ 6,300.00	$ 3,400.00	$ 3,500.00	$ 2,500.00	$ 3,520.00	$ 1,000.00
	Telephone	$ 86,300.00	$ 14,100.00	$ 10,000.00	$ 8,000.00	$ 13,300.00	$ 12,000.00	$ 4,500.00
	Data Communications	$ 63,400.00	$ 4,400.00	$ 2,500.00	$ 4,000.00	$ 19,000.00	$ 26,000.00	$ 500.00
	Consulting Services	$ 1,000.00	$ -	$ -	$ -	$ 1,000.00	$ -	$ -
	Office Overhead (over / short)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Bank Fees	$ 26,500.00	$ 3,000.00	$ 2,500.00	$ 4,000.00	$ 3,000.00	$ 3,500.00	$ 1,500.00
	Resident Services Contracts	$ 156,000.00	$ 5,000.00	$ 40,000.00	$ -	$ 34,000.00	$ 77,000.00	$ -
	Reasonable Accommodation Moves	$ 6,775.00	$ 750.00	$ 1,500.00	$ 725.00	$ -	$ 2,500.00	$ -
	Resident Services Cable TV	$ 26,910.00	$ -	$ 25,760.00	$ -	$ -	$ -	$ 310.00
	Protective Services Contract	$ 3,076.00	$ 3,076.00	$ -	$ -	$ -	$ -	$ -
	Insurance	$ 1,032,900.00	$ 144,500.00	$ 74,000.00	$ 120,000.00	$ 130,500.00	$ 160,500.00	$ 68,000.00
	Payment in Lieu of Taxes (PILOT)	$ 351,555.00	$ 68,000.00	$ 41,000.00	$ 68,000.00	$ 15,000.00	$ 72,000.00	$ 23,000.00
	Freight & Express Charges	$ 26,860.00	$ -	$ -	$ -	$ 2,750.00	$ 4,000.00	$ 600.00
	Water	$ 640,600.00	$ 62,000.00	$ 20,000.00	$ 75,000.00	$ 98,000.00	$ 31,000.00	$ 38,000.00
	Sewer	$ 593,050.00	$ 57,000.00	$ 20,000.00	$ 66,000.00	$ 118,000.00	$ 111,000.00	$ 35,000.00
	Electricity	$ 609,000.00	$ 58,000.00	$ 118,000.00	$ 51,000.00	$ 140,000.00	$ 71,000.00	$ 65,000.00
	Natural Gas	$ 545,500.00	$ 95,000.00	$ 60,000.00	$ 106,000.00	$ 260,000.00	$ -	$ -
	Heating Oil	$ 903,000.00	$ -	$ -	$ -	$ 25,000.00	$ 228,000.00	$ 16,000.00
	Maintenance Contracts	$ 378,000.00	$ 67,000.00	$ 70,000.00	$ 60,000.00	$ 75,000.00	$ 31,000.00	$ 30,000.00
	Vehicle Repair & Maintenance	$ 61,400.00	$ 10,000.00	$ 1,500.00	$ 10,200.00	$ 9,500.00	$ 9,000.00	$ 2,500.00
	Garbage / Refuse	$ 467,980.00	$ 65,000.00	$ 16,200.00	$ 85,000.00	$ 76,000.00	$ 114,000.00	$ 19,000.00
	Extra-Routine Maint Contracts	$ 186,400.00	$ -	$ 50,000.00	$ 50,000.00	$ 10,000.00	$ 65,400.00	$ 11,000.00
	Casualty Loss Contracts	$ 15,838.00	$ 5,708.00	$ 1,138.00	$ 1,840.00	$ 1,565.00	$ 1,964.00	$ 692.00
	Gas, Oil & Grease	$ 132,300.00	$ 18,000.00	$ 3,000.00	$ 27,000.00	$ 28,000.00	$ 22,000.00	$ 3,500.00
	Vehicle Maintenance Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Maintenance Materials	$ 519,000.00	$ 86,000.00	$ 60,000.00	$ 95,000.00	$ 75,000.00	$ 70,000.00	$ 30,000.00

Alaska Housing Finance Corporation
Site Budgets (Annual)
July 1, 2016 Through June 30, 2017

	Totals Low-Rent	South Anchorage 271	Central Anchorage 247	East Anchorage 274	Fairbanks 275	Juneau 277	Ketchikan 279
Appliances	$ 83,300.00	$ 15,000.00	$ 12,000.00	$ 10,000.00	$ 10,000.00	$ 14,500.00	$ 2,000.00
Maintenance Equipment < $5,000	$ 14,000.00	$ -	$ 1,500.00	$ 2,000.00	$ 1,000.00	$ 2,000.00	$ -
General Office Supplies	$ 23,250.00	$ 3,000.00	$ 1,200.00	$ 2,500.00	$ 4,000.00	$ 4,000.00	$ 2,200.00
Postage	$ 10,875.00	$ 150.00	$ -	$ -	$ 2,200.00	$ 3,000.00	$ 2,000.00
Office Equipment < $5,000	$ 7,500.00	$ -	$ 1,000.00	$ -	$ 1,500.00	$ 3,500.00	$ -
Resident Services Supplies	$ 28,025.00	$ 4,425.00	$ 3,000.00	$ 5,225.00	$ 5,000.00	$ 4,000.00	$ 1,825.00
Replacement Vehicle	$ 120,000.00	$ 38,000.00	$ -	$ 38,000.00	$ -	$ -	$ -
Total Expense Before COCC Fees	$ 15,441,931.00	$ 2,172,474.00	$ 1,141,695.00	$ 2,347,581.00	$ 1,997,900.00	$ 2,403,257.00	$ 756,002.00
Profit/(Loss) Before COCC Fees	$ 1,782,022.00	$ 181,286.00	$ 255,696.00	$ 288,485.00	$ 283,226.00	$ 221,266.00	$ 157,222.00
Bookkeeping Fees	$ 112,050.00	$ 16,020.00	$ 10,800.00	$ 17,370.00	$ 14,850.00	$ 18,630.00	$ 6,570.00
Asset Management Fees	$ 149,400.00	$ 21,360.00	$ 14,400.00	$ 23,160.00	$ 19,800.00	$ 24,840.00	$ 8,760.00
Property Management Fees	$ 1,009,731.00	$ 143,667.00	$ 97,402.00	$ 156,654.00	$ 133,927.00	$ 168,018.00	$ 59,253.00
Total Fees	$ 1,271,993.00	$ 181,047.00	$ 122,602.00	$ 197,184.00	$ 168,577.00	$ 211,488.00	$ 74,583.00
Total Expense After COCC Fees	$ 16,713,112.00	$ 2,353,521.00	$ 1,264,297.00	$ 2,544,765.00	$ 2,166,477.00	$ 2,614,745.00	$ 830,585.00
Profit/(Loss) After COCC Fees (Cashflow from Operations)	$ 510,841.00	$ 239.00	$ 133,094.00	$ 91,301.00	$ 114,649.00	$ 9,778.00	$ 82,639.00
Administrative Salaries							
Asset Supervisor		$ 83,373.95	$ 38,773.69	$ 37,254.16	$ 58,374.02	$ -	$ 15,487.16
Asset Technician		$ 45,578.38	$ -	$ 37,374.27	$ 47,519.95	$ 60,640.68	$ 50,334.58
Asset Technician		$ -	$ -	$ 45,578.38	$ -	$ 47,808.21	$ -
Manager, FIC		$ 0.20	$ 0.10	$ 1,292.45	$ -	$ 36,915.38	$ -
Housing Program Admin. Supervisor		$ 9,358.22	$ 5,347.56	$ 8,689.78	$ -	$ -	$ -
Housing Technician		$ 5,983.89	$ 3,419.36	$ 5,556.47	$ -	$ -	$ -
Housing Technician		$ 7,617.27	$ 4,352.73	$ 7,073.18	$ -	$ -	$ -
Housing Technician		$ 6,171.67	$ 3,526.67	$ 5,730.83	$ -	$ -	$ -
Housing Program Specialist I		$ 6,380.97	$ 3,646.27	$ 5,925.19	$ 17,668.71	$ -	$ -
Housing Program Specialist I		$ 7,928.26	$ 4,530.44	$ 7,361.96	$ 12,524.61	$ -	$ -
Housing Program Specialist I		$ 6,380.97	$ 3,646.27	$ 5,925.19	$ -	$ -	$ -
Housing Program Specialist I		$ 5,620.02	$ 3,211.44	$ 5,218.59		$ 15,500.52	$ -
Housing Program Specialist II		$ -	$ -	$ -	$ -	$ 20,131.49	$ -
Summer Student Hires, Temps & Emergency Overtime		$ -	$ -	$ -	$ -	$ -	$ -
		$ 184,393.81	$ 70,454.52	$ 172,980.44	$ 136,087.30	$ 180,996.27	$ 65,821.74
		$ 184,393.81	$ 70,454.52	$ 172,980.44	$ 136,087.30	$ 180,996.27	$ 65,821.74
Maintenance Salaries							
Lead Maintenance Mechanic		$ 98,047.76	$ 50,010.85	$ 60,735.75	$ 41,900.76	$ 82,691.15	$ -
Maintenance Mechanic		$ 89,765.25	$ -	$ 34,470.93	$ 46,548.24	$ 79,890.22	$ 93,177.00
Maintenance Mechanic		$ 89,765.25	$ -	$ 71,526.89	$ 72,452.82	$ 59,558.48	$ -
Maintenance Mechanic		$ 40,940.00	$ -	$ 51,357.71	$ 66,336.43	$ 64,102.90	$ -
Maintenance Mechanic		$ 72,842.16	$ -	$ 62,673.98	$ -	$ -	$ -
Maintenance Mechanic		$ -	$ -	$ 51,357.71	$ -	$ -	$ -
Maintenance Mechanic		$ -	$ -	$ 89,722.86	$ -	$ -	$ -
Maintenance Mechanic		$ -	$ -	$ 71,887.42	$ -	$ -	$ -
Laborer		$ 39,839.16	$ 89,765.25	$ 41,844.15	$ 24,882.52	$ 45,030.96	$ 46,726.24
Laborer		$ 57,554.86	$ -	$ 39,839.16	$ 34,814.55	$ 42,638.82	$ -
Custodian		$ 44,223.58	$ 51,282.32	$ -	$ 15,059.20	$ 42,615.18	$ -
Custodian		$ -	$ -	$ -	$ -	$ -	$ -
Summer Student Hires & Temps		$ -	$ -	$ -	$ -	$ -	$ -
		$ 532,978.02	$ 191,058.42	$ 575,416.57	$ 301,994.52	$ 416,527.70	$ 139,903.25

Alaska Housing Finance Corporation
Site Budgets (Annual)
July 1, 2016 Through June 30, 2017

	Cordova	Wrangell	Valdez	Sitka	Bethel	Nome	Kodiak	Wasilla
	216	213	263	280	257	260	265	244
Family/Elderly	Family	Family	Family	Family/Elderly	Family	Family	Family	Elderly
Scattered Site?	No	No	No	No	Yes	No	No	No
Age	1970	1970	2000	1984-2004	1994-1996	1997	2006	1984
Recently Renovated?	No	No	No	No	No	No	No	No
Units	16	20	7	43	117	33	40	32
Average Bedroom Size	3.00	2.47	2.43	1.86	3.26	2.91	2.43	1.00
% Occupancy	95%	97%	99%	99%	98%	99%	98%	99%
# of Turn-Overs 4/15 to 3/16	3	5	1	6	31	5	8	4
PEL	654.85	632.89	564.27	506.05	648.29	640.26	542.71	443.82

		Cordova	Wrangell	Valdez	Sitka	Bethel	Nome	Kodiak	Wasilla
		216	213	263	280	257	260	265	244
Income	Dwelling Rents	$ (89,697.00)	$ (58,363.00)	$ (18,469.00)	$ (220,614.00)	$ (531,695.00)	$ (174,608.00)	$ (264,850.00)	$ (132,791.00)
	Operating Subsidy	$ (144,783.00)	$ (171,883.00)	$ (62,398.00)	$ (242,494.00)	$ (972,596.00)	$ (215,485.00)	$ (247,234.00)	$ (171,964.00)
	Rental Misc. Charges	$ (450.00)	$ (5,154.00)	$ -	$ (1,039.00)	$ (62,751.00)	$ (3,430.00)	$ (1,528.00)	$ (857.00)
	Transfer from Capital Fund	$ (16,571.00)	$ (19,673.00)	$ (7,142.00)	$ (27,754.00)	$ (111,318.00)	$ (24,663.00)	$ (28,297.00)	$ (19,682.00)
	MTW Fungibility - Operating Reserve	$ (19,364.00)	$ (24,205.00)	$ (111,472.00)	$ (118,252.00)	$ (374,102.00)	$ (166,000.00)	$ (70,411.00)	$ (56,729.00)
	Cable TV	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (620.00)
	Excess Utilities	$ (1,408.00)	$ (788.00)	$ (395.00)	$ (1,652.00)	$ -	$ -	$ (2,545.00)	$ -
	Laundry	$ -	$ (2,000.00)	$ -	$ (3,079.00)	$ -	$ -	$ -	$ (4,702.00)
	Other Income	$ -	$ -	$ (744.00)	$ -	$ -	$ (400.00)	$ -	$ -
	Non Dwelling Rent	$ -	$ -	$ (2,950.00)	$ (2,400.00)	$ -	$ -	$ (2,900.00)	$ -
	Investment Income	$ (40.00)	$ (60.00)	$ (14.00)	$ (50.00)	$ (185.00)	$ (62.00)	$ (51.00)	$ (50.00)
	Total Income	$ (272,313.00)	$ (282,126.00)	$ (203,584.00)	$ (617,334.00)	$(2,052,647.00)	$ (584,648.00)	$ (617,816.00)	$ (387,395.00)
Expense									
Dept									
AMP	Administrative Salaries	$ 26,309.00	$ 32,564.00	$ 16,929.00	$ 31,396.00	$ 155,719.00	$ 58,500.00	$ 76,860.00	$ 35,867.00
AMP	Maintenance Labor	$ 44,819.00	$ 39,703.00	$ 48,839.00	$ 116,540.00	$ 303,910.00	$ 120,259.00	$ 94,046.00	$ 89,744.00
AMP	Temporary Maintenance Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMP	Worker's Compensation	$ 1,977.00	$ 2,009.00	$ 1,828.00	$ 4,113.00	$ 12,778.00	$ 4,970.00	$ 4,751.00	$ 3,492.00
AMP	Leave Cash-In	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMP	Terminal Leave	$ 1,501.00	$ 1,525.00	$ 1,388.00	$ 3,121.00	$ 9,698.00	$ 3,772.00	$ 3,606.00	$ 2,650.00
AMP	FICA	$ 5,441.00	$ 5,528.00	$ 5,031.00	$ 11,317.00	$ 35,162.00	$ 13,675.00	$ 13,074.00	$ 9,609.00
AMP	Medical Insurance	$ 31,521.00	$ 38,554.00	$ 66,861.00	$ 61,082.00	$ 252,015.00	$ 85,676.00	$ 82,614.00	$ 58,138.00
AMP	PERs	$ 15,648.00	$ 15,899.00	$ 14,469.00	$ 32,546.00	$ 101,118.00	$ 39,327.00	$ 37,599.00	$ 27,634.00
AMP	ESC	$ 384.00	$ 390.00	$ 355.00	$ 799.00	$ 2,482.00	$ 965.00	$ 923.00	$ 678.00
AMP	Optional Life	$ 384.00	$ 390.00	$ 355.00	$ 799.00	$ 2,482.00	$ 965.00	$ 923.00	$ 678.00
109	Administrative Salaries	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
109	Worker's Compensation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
109	Leave Cash-In	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
109	Terminal Leave	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
109	FICA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
109	Medical Insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
109	PERs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
109	ESC	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
109	Optional Life	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Travel	$ 1,055.00	$ 1,465.00	$ 1,400.00	$ 2,354.00	$ 4,100.00	$ 2,050.00	$ 2,400.00	$ -
	Training	$ 2,900.00	$ 3,700.00	$ -	$ 1,750.00	$ 6,350.00	$ 1,700.00	$ 1,800.00	$ 450.00
	Management Operations (CFP)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Office Overhead	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00	$ 100.00
	Legal Expenses	$ 1,500.00	$ 1,500.00	$ 885.00	$ 2,000.00	$ 3,000.00	$ 3,000.00	$ 3,500.00	$ 2,000.00
	Audit Fees	$ 468.00	$ 585.00	$ 205.00	$ 1,287.00	$ 3,421.00	$ 965.00	$ 1,170.00	$ 936.00
	Temp Contractual Employees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Office Rent	$ 4,500.00	$ 2,772.00	$ -	$ -	$ -	$ -	$ -	$ 3,500.00
	Subscriptions & Publications	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Equipment Rental & Maintenance	$ -	$ 500.00	$ -	$ 350.00	$ 1,200.00	$ 2,400.00	$ 400.00	$ 440.00
	Telephone	$ 2,200.00	$ 1,300.00	$ 1,500.00	$ 6,000.00	$ 4,800.00	$ 3,000.00	$ 2,600.00	$ 3,000.00
	Data Communications	$ 800.00	$ 900.00	$ 1,100.00	$ 900.00	$ 1,500.00	$ 1,100.00	$ 200.00	$ 500.00
	Consulting Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Office Overhead (over / short)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Bank Fees	$ 500.00	$ 1,200.00	$ 1,000.00	$ 1,500.00	$ 2,000.00	$ 1,000.00	$ 1,200.00	$ 600.00
	Resident Services Contracts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Reasonable Accommodation Moves	$ -	$ -	$ -	$ 500.00	$ -	$ -	$ 500.00	$ 300.00
	Resident Services Cable TV	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 840.00
	Protective Services Contract	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Insurance	$ 11,500.00	$ 15,000.00	$ 5,300.00	$ 50,200.00	$ 168,000.00	$ 33,000.00	$ 34,200.00	$ 18,200.00
	Payment in Lieu of Taxes (PILOT)	$ 14,000.00	$ 2,100.00	$ 255.00	$ 14,000.00	$ -	$ 13,600.00	$ 11,700.00	$ 8,900.00
	Freight & Express Charges	$ 750.00	$ 1,500.00	$ 500.00	$ 800.00	$ 12,000.00	$ 2,000.00	$ 1,200.00	$ 760.00
	Water	$ 6,000.00	$ 9,300.00	$ 1,300.00	$ 23,000.00	$ 232,000.00	$ 17,000.00	$ 21,000.00	$ 7,000.00
	Sewer	$ 9,400.00	$ 9,650.00	$ 1,500.00	$ 31,000.00	$ 75,000.00	$ 21,000.00	$ 30,000.00	$ 8,500.00
	Electricity	$ 8,000.00	$ 35,000.00	$ 4,000.00	$ 17,000.00	$ 16,200.00	$ 4,500.00	$ 11,700.00	$ 9,600.00
	Natural Gas	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,500.00
	Heating Oil	$ 37,000.00	$ -	$ 13,000.00	$ 35,000.00	$ 404,000.00	$ 85,000.00	$ 60,000.00	$ -
	Maintenance Contracts	$ 5,000.00	$ 4,000.00	$ 1,500.00	$ 10,000.00	$ 3,500.00	$ 1,500.00	$ 17,500.00	$ 2,000.00
	Vehicle Repair & Maintenance	$ 500.00	$ 1,200.00	$ 250.00	$ 1,750.00	$ 8,000.00	$ 2,500.00	$ 2,000.00	$ 2,500.00
	Garbage / Refuse	$ 3,000.00	$ 7,450.00	$ -	$ 15,000.00	$ 25,750.00	$ 12,500.00	$ 24,000.00	$ 5,080.00
	Extra-Routine Maint Contracts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Casualty Loss Contracts	$ 152.00	$ 190.00	$ 66.00	$ 417.00	$ 1,110.00	$ 313.00	$ 379.00	$ 304.00
	Gas, Oil & Grease	$ 2,500.00	$ 3,000.00	$ 1,000.00	$ 2,500.00	$ 15,000.00	$ 1,500.00	$ 1,800.00	$ 3,500.00
	Vehicle Maintenance Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Maintenance Materials	$ 2,500.00	$ 13,000.00	$ 4,000.00	$ 10,000.00	$ 50,000.00	$ 6,500.00	$ 9,000.00	$ 8,000.00

	Cordova	Wrangell	Valdez	Sitka	Bethel	Nome	Kodiak	Wasilla
Alaska Housing Finance Corporation Site Budgets (Annual) July 1, 2016 Through June 30, 2017								
	216	213	263	280	257	260	265	244
Appliances	$ 1,500.00	$ 1,000.00	$ 800.00	$ 1,000.00	$ 10,000.00	$ 2,000.00	$ 1,000.00	$ 2,500.00
Maintenance Equipment < $5,000	$ 500.00	$ 5,500.00	$ -	$ 500.00	$ -	$ -	$ -	$ 1,000.00
General Office Supplies	$ 800.00	$ 500.00	$ 500.00	$ 650.00	$ 1,300.00	$ 600.00	$ 500.00	$ 1,500.00
Postage	$ 200.00	$ 100.00	$ 100.00	$ 325.00	$ 1,000.00	$ 600.00	$ 400.00	$ 800.00
Office Equipment < $5,000	$ -	$ -	$ -	$ -	$ -	$ 1,500.00	$ -	$ -
Resident Services Supplies	$ 400.00	$ 400.00	$ -	$ -	$ 2,925.00	$ 825.00	$ -	$ -
Replacement Vehicle	$ -	$ -	$ -	$ 22,000.00	$ -	$ -	$ 22,000.00	$ -
Total Expense Before COCC Fees	$ 245,709.00	$ 259,474.00	$ 196,316.00	$ 513,596.00	$ 1,927,620.00	$ 549,862.00	$ 576,645.00	$ 353,800.00
Profit/(Loss) Before COCC Fees	$ 26,604.00	$ 22,652.00	$ 7,268.00	$ 103,738.00	$ 125,027.00	$ 34,786.00	$ 41,171.00	$ 33,595.00
Bookkeeping Fees	$ 1,440.00	$ 1,800.00	$ 630.00	$ 3,960.00	$ 10,530.00	$ 2,970.00	$ 3,600.00	$ 2,880.00
Asset Management Fees	$ 1,920.00	$ 2,400.00	$ 840.00	$ 5,280.00	$ 14,040.00	$ 3,960.00	$ 4,800.00	$ 3,840.00
Property Management Fees	$ 12,987.00	$ 16,234.00	$ 5,682.00	$ 35,714.00	$ 94,967.00	$ 26,785.00	$ 32,467.00	$ 25,974.00
Total Fees	$ 16,347.00	$ 20,434.00	$ 7,152.00	$ 44,954.00	$ 119,537.00	$ 33,715.00	$ 40,867.00	$ 32,694.00
Total Expense After COCC Fees	$ 262,056.00	$ 279,908.00	$ 203,468.00	$ 558,550.00	$ 2,047,157.00	$ 583,577.00	$ 617,512.00	$ 386,494.00
Profit/(Loss) After COCC Fees (Cashflow from Operations)	$ 10,257.00	$ 2,218.00	$ 116.00	$ 58,784.00	$ 5,490.00	$ 1,071.00	$ 304.00	$ 901.00
Admi								
	$ 26,308.78	$ 32,563.64	$ 16,928.89	$ 31,396.15	$ 95,734.79	$ 58,499.59	$ 76,859.81	$ 8,213.61
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,930.77
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housing Prog	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,722.76
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housi	$ -	$ -	$ -	$ -	$ 58,984.00	$ -	$ -	$ -
Housi	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housi	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housi	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housir	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Summer Student Hires, Temps	$ -	$ -	$ -	$ -	$ 1,000.00	$ -	$ -	$ -
	$ 26,308.78	$ 32,563.64	$ 16,928.89	$ 31,396.15	$ 155,718.79	$ 58,499.59	$ 76,859.81	$ 35,867.13
	$ 26,308.78	$ 32,563.64	$ 16,928.89	$ 31,396.15	$ 155,718.79	$ 58,499.59	$ 76,859.81	$ 35,867.13
Mai								
Lead I	$ -	$ -	$ -	$ -	$ 115,436.72	$ -	$ -	$ -
	$ 44,819.05	$ 29,929.11	$ 48,839.25	$ 93,177.00	$ 73,575.29	$ 120,259.15	$ 94,045.84	$ 89,744.05
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ 9,774.37	$ -	$ 23,363.12	$ 59,885.88	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ 55,011.94	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -		$ -	$ -	$ -	$ -	$ -	$ -
Summer	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 44,819.05	$ 39,703.48	$ 48,839.25	$ 116,540.12	$ 303,909.83	$ 120,259.15	$ 94,045.84	$ 89,744.05

Low Rent Program

Operating Budget

Asset Management Project (AMP)

Annual Site Budgets

By Unit

Alaska Housing Finance Corporation
Site Budgets (Annual) - By Unit
July 1, 2016 Through June 30, 2017

	Totals Low-Rent	South Anchorage	Central Anchorage	East Anchorage	Fairbanks	Juneau	Ketchikan
		271	247	274	275	277	279
Family/Elderly		Family	Elderly	Family	Family/Elderly	Family/Elderly	Family/Elderly
Scattered Site?		Yes	No	Yes	No	No	No
Age		67-86	1987	69-86	73-00	66-98	69-77
Recently Renovated?		No	No	No	No	No	Yes
Units	1,242	177	120	193	165	206	73
Average Bedroom Size	2.22	2.56	1.00	2.35	2.49	2.02	1.44
% Occupancy	98%	98%	99%	98%	99%	99%	99%
# of Turn-Overs 4/15 to 3/16	212	33	14	17	26	49	10
PEL	562.46	590.32	462.25	607.85	552.16	522.71	506.05

Dept		AMP Total	Anchorage South 271	Anchorage Central 247	Anchorage East 274	Fairbanks 275	Juneau 277	Ketchikan 279
Income	Dwelling Rents	$ (402.19)	$ (391.95)	$ (393.71)	$ (417.42)	$ (369.82)	$ (430.10)	$ (389.85)
	Operating Subsidy	$ (542.89)	$ (537.87)	$ (438.41)	$ (557.06)	$ (614.46)	$ (471.03)	$ (476.66)
	Rental Misc. Charges	$ (14.40)	$ (20.46)	$ (3.54)	$ (9.46)	$ (15.29)	$ (14.63)	$ (2.90)
	Transfer from Capital Fund	$ (62.14)	$ (61.56)	$ (50.18)	$ (63.76)	$ (70.33)	$ (53.91)	$ (54.56)
	MTW Fungibility - Operating Reserve	$ (116.92)	$ (74.96)	$ (52.94)	$ (76.83)	$ (62.98)	$ (71.01)	$ (100.86)
	Cable TV	$ (1.77)	$ -	$ (17.89)	$ -	$ -	$ -	$ -
	Excess Utilities	$ (4.58)	$ (5.28)	$ (2.32)	$ -	$ (10.47)	$ (9.81)	$ (2.19)
	Laundry	$ (7.69)	$ (15.81)	$ (11.24)	$ (13.52)	$ (4.75)	$ (1.93)	$ (10.89)
	Other Income	$ (0.17)	$ -	$ -	$ -	$ (0.72)	$ -	$ -
	Non Dwelling Rent	$ (2.73)	$ -	$ -	$ -	$ (3.03)	$ (9.11)	$ (4.45)
	Investment Income	$ (0.18)	$ (0.27)	$ (0.19)	$ (0.15)	$ (0.22)	$ (0.17)	$ (0.14)
	Total Income	$ (1,155.66)	$ (1,108.17)	$ (970.41)	$ (1,138.20)	$ (1,152.08)	$ (1,061.70)	$ (1,042.49)
Expense								
Dept								
AMP	Administrative Salaries	$ 74.14	$ 60.71	$ 26.93	$ 51.90	$ 68.73	$ 73.22	$ 75.14
AMP	Maintenance Labor	$ 202.14	$ 249.47	$ 132.68	$ 248.45	$ 152.52	$ 168.50	$ 159.71
AMP	Temporary Maintenance Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMP	Worker's Compensation	$ 7.68	$ 8.62	$ 4.44	$ 8.35	$ 6.15	$ 6.72	$ 6.53
AMP	Leave Cash-In	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMP	Terminal Leave	$ 5.83	$ 6.54	$ 3.37	$ 6.34	$ 4.67	$ 5.10	$ 4.96
AMP	FICA	$ 21.13	$ 23.73	$ 12.21	$ 22.98	$ 16.93	$ 18.49	$ 17.97
AMP	Medical Insurance	$ 143.78	$ 146.69	$ 58.87	$ 157.42	$ 105.02	$ 157.97	$ 122.28
AMP	PERs	$ 60.78	$ 68.24	$ 35.11	$ 66.08	$ 48.68	$ 53.18	$ 51.67
AMP	ESC	$ 1.49	$ 1.68	$ 0.86	$ 1.62	$ 1.19	$ 1.31	$ 1.27
AMP	Optional Life	$ 1.49	$ 1.68	$ 0.86	$ 1.62	$ 1.19	$ 1.31	$ 1.27
350	Administrative Salaries	$ 9.39	$ 26.10	$ 22.00	$ 22.79	$ -	$ -	$ -
350	Worker's Compensation	$ 0.26	$ 0.73	$ 0.61	$ 0.63	$ -	$ -	$ -
350	Leave Cash-In	$ -	$ -	$ -	$ -	$ -	$ -	$ -
350	Terminal Leave	$ 0.20	$ 0.55	$ 0.46	$ 0.48	$ -	$ -	$ -
350	FICA	$ 0.72	$ 2.00	$ 1.68	$ 1.74	$ -	$ -	$ -
350	Medical Insurance	$ 4.74	$ 13.30	$ 11.21	$ 11.33	$ -	$ -	$ -
350	PERs	$ 2.07	$ 5.74	$ 4.84	$ 5.01	$ -	$ -	$ -
350	ESC	$ 0.05	$ 0.14	$ 0.12	$ 0.12	$ -	$ -	$ -
350	Optional Life	$ 0.05	$ 0.14	$ 0.12	$ 0.12	$ -	$ -	$ -
	Travel	$ 2.14	$ -	$ -	$ -	$ 3.54	$ 3.03	$ 2.99
	Training	$ 2.77	$ 1.96	$ 1.60	$ 1.31	$ 1.46	$ 2.59	$ 4.45
	Management Operations (CFP)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Office Overhead	$ 0.16	$ 0.52	$ 0.07	$ 0.04	$ 0.05	$ 0.04	$ 0.11
	Legal Expenses	$ 6.60	$ 9.42	$ 11.11	$ 6.48	$ 7.58	$ 4.85	$ 3.42
	Audit Fees	$ 2.71	$ 2.49	$ 2.44	$ 2.44	$ 2.44	$ 4.05	$ 2.44
	Temp Contractual Employees	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Office Rent	$ 0.72	$ -	$ -	$ -	$ -	$ -	$ -
	Subscriptions & Publications	$ 0.01	$ -	$ -	$ -	$ 0.10	$ -	$ -
	Equipment Rental & Maintenance	$ 1.71	$ 2.97	$ 2.36	$ 1.51	$ 1.26	$ 1.42	$ 1.14
	Telephone	$ 5.79	$ 6.64	$ 6.94	$ 3.45	$ 6.72	$ 4.85	$ 5.14
	Data Communications	$ 4.25	$ 2.07	$ 1.74	$ 1.73	$ 9.60	$ 10.52	$ 0.57
	Consulting Services	$ 0.07	$ -	$ -	$ -	$ 0.51	$ -	$ -
	Office Overhead (over / short)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Bank Fees	$ 1.78	$ 1.41	$ 1.74	$ 1.73	$ 1.52	$ 1.42	$ 1.71
	Resident Services Contracts	$ 10.47	$ 2.35	$ 27.78	$ -	$ 17.17	$ 31.15	$ -
	Reasonable Accommodation Moves		$ 0.35	$ 1.04	$ 0.31	$ -	$ 1.01	$ -
	Resident Services Cable TV	$ 1.81	$ -	$ 17.89	$ -	$ -	$ -	$ 0.35
	Protective Services Contract	$ 0.21	$ 1.45	$ -	$ -	$ -	$ -	$ -
	Insurance	$ 69.30	$ 68.03	$ 51.39	$ 51.81	$ 65.91	$ 64.93	$ 77.63
	Payment in Lieu of Taxes (PILOT)	$ 23.59	$ 32.02	$ 28.47	$ 29.36	$ 7.58	$ 29.13	$ 26.26
	Freight & Express Charges	$ 1.80	$ -	$ -	$ -	$ 1.39	$ 1.62	$ 0.68
	Water	$ 42.98	$ 29.19	$ 13.89	$ 32.38	$ 49.49	$ 12.54	$ 43.38
	Sewer	$ 39.79	$ 26.84	$ 13.89	$ 28.50	$ 59.60	$ 44.90	$ 39.95
	Electricity	$ 40.86	$ 27.31	$ 81.94	$ 22.02	$ 70.71	$ 28.72	$ 74.20
	Natural Gas	$ 36.60	$ 44.73	$ 41.67	$ 45.77	$ 131.31	$ -	$ -
	Heating Oil	$ 60.59	$ -	$ -	$ -	$ 12.63	$ 92.23	$ 18.26
	Maintenance Contracts	$ 25.36	$ 31.54	$ 48.61	$ 25.91	$ 37.88	$ 12.54	$ 34.25
	Vehicle Repair & Maintenance	$ 4.12	$ 4.71	$ 1.04	$ 4.40	$ 4.80	$ 3.64	$ 2.85
	Garbage / Refuse	$ 31.40	$ 30.60	$ 11.25	$ 36.70	$ 38.38	$ 46.12	$ 21.69
	Extra-Routine Maint Contracts	$ 12.51	$ -	$ 34.72	$ 21.59	$ 5.05	$ 26.46	$ 12.56
	Casualty Loss Contracts	$ 1.06	$ 2.69	$ 0.79	$ 0.79	$ 0.79	$ 0.79	$ 0.79
	Gas, Oil & Grease	$ 8.88	$ 8.47	$ 2.08	$ 11.66	$ 14.14	$ 8.90	$ 4.00
	Vehicle Maintenance Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Maintenance Materials	$ 34.82	$ 40.49	$ 41.67	$ 41.02	$ 37.88	$ 28.32	$ 34.25
	Appliances	$ 5.59	$ 7.06	$ 8.33	$ 4.32	$ 5.05	$ 5.87	$ 2.28

Alaska Housing Finance Corporation
Site Budgets (Annual) - By Unit
July 1, 2016 Through June 30, 2017

	Totals Low-Rent	South Anchorage 271	Central Anchorage 247	East Anchorage 274	Fairbanks 275	Juneau 277	Ketchikan 279
Maintenance Equipment < $5,000	$ 0.94	$ -	$ 1.04	$ 0.86	$ 0.51	$ 0.81	$ -
General Office Supplies	$ 1.56	$ 1.41	$ 0.83	$ 1.08	$ 2.02	$ 1.62	$ 2.51
Postage	$ 0.73	$ 0.07	$ -	$ -	$ 1.11	$ 1.21	$ 2.28
Office Equipment < $5,000	$ 0.50	$ -	$ 0.69	$ -	$ 0.76	$ 1.42	$ -
Resident Services Supplies	$ 1.88	$ 2.08	$ 2.08	$ 2.26	$ 2.53	$ 1.62	$ 2.08
Replacement Vehicle	$ 8.05	$ 17.89	$ -	$ 16.41	$ -	$ -	$ -
Total Expense Before COCC Fees	**$ 1,035.64**	**$ 1,022.82**	**$ 792.84**	**$ 1,013.64**	**$ 1,009.04**	**$ 972.19**	**$ 863.02**
Profit/(Loss) Before COCC Fees	**$ 120.02**	**$ 85.35**	**$ 177.57**	**$ 124.56**	**$ 143.04**	**$ 89.51**	**$ 179.48**
Bookkeeping Fees	$ 7.52	$ 7.54	$ 7.50	$ 7.50	$ 7.50	$ 7.54	$ 7.50
Asset Management Fees	$ 10.02	$ 10.06	$ 10.00	$ 10.00	$ 10.00	$ 10.05	$ 10.00
Property Management Fees	$ 67.75	$ 67.64	$ 67.64	$ 67.64	$ 67.64	$ 67.97	$ 67.64
Total Fees	$ 85.29	$ 85.24	$ 85.14	$ 85.14	$ 85.14	$ 85.55	$ 85.14
Total Expense After COCC Fees	**$ 1,120.93**	**$ 1,108.06**	**$ 877.98**	**$ 1,098.78**	**$ 1,094.18**	**$ 1,057.74**	**$ 948.16**
Profit/(Loss) After COCC Fees (Cashflow from Operations)	**$ 34.73**	**$ 0.11**	**$ 92.43**	**$ 39.42**	**$ 57.90**	**$ 3.96**	**$ 94.34**

Administrative Salaries

Asset Supervisor	$ 39.25	$ 26.93	$ 16.09	$ 29.48	$ -	$ 17.68
Asset Technician	$ 21.46	$ -	$ 16.14	$ 24.00	$ 24.53	$ 57.46
Asset Technician	$ -	$ -	$ 19.68	$ -	$ 19.34	$ -
Manager, FIC	$ 0.00	$ 0.00	$ 0.56	$ -	$ 14.93	$ -
Housing Program Admin. Supervisor	$ 4.41	$ 3.71	$ 3.75	$ -	$ -	$ -
Housing Technician	$ 2.82	$ 2.37	$ 2.40	$ -	$ -	$ -
Housing Technician	$ 3.59	$ 3.02	$ 3.05	$ -	$ -	$ -
Housing Technician	$ 2.91	$ 2.45	$ 2.47	$ -	$ -	$ -
Housing Program Specialist I	$ 3.00	$ 2.53	$ 2.56	$ 8.92	$ -	$ -
Housing Program Specialist I	$ 3.73	$ 3.15	$ 3.18	$ 6.33	$ -	$ -
Housing Program Specialist I	$ 3.00	$ 2.53	$ 2.56	$ -	$ -	$ -
Housing Program Specialist I	$ 2.65	$ 2.23	$ 2.25	$ -	$ 6.27	$ -
Housing Program Specialist II	$ -	$ -	$ -	$ -	$ 8.14	$ -
Summer Student Hires & Temps	$ -	$ -	$ -	$ -	$ -	$ -
	$ 86.81	$ 48.93	$ 74.69	$ 68.73	$ 73.22	$ 75.14

Maintenance Salaries

Lead Maintenance Mechanic	$ 46.16	$ 34.73	$ 26.22	$ 21.16	$ 33.45	$ -
Maintenance Mechanic	$ 42.26	$ -	$ 14.88	$ 23.51	$ 32.32	$ 106.37
Maintenance Mechanic	$ 42.26	$ -	$ 30.88	$ 36.59	$ 24.09	$ -
Maintenance Mechanic	$ 19.27	$ -	$ 22.18	$ 33.50	$ 25.93	$ -
Maintenance Mechanic	$ 34.29	$ -	$ 27.06	$ -	$ -	$ -
Maintenance Mechanic	$ -	$ -	$ 22.18	$ -	$ -	$ -
Maintenance Mechanic	$ -	$ -	$ 38.74	$ -	$ -	$ -
Maintenance Mechanic	$ -	$ -	$ 31.04	$ -	$ -	$ -
Laborer	$ 18.76	$ 62.34	$ 18.07	$ 12.57	$ 18.22	$ 53.34
Laborer	$ 27.10	$ -	$ 17.20	$ 17.58	$ 17.25	$ -
Custodian	$ 20.82	$ 35.61	$ -	$ 7.61	$ 17.24	$ -
Custodian	$ -	$ -	$ -	$ -	$ -	$ -
Summer Student Hires & Temps	$ -	$ -	$ -	$ -	$ -	$ -
	$ 250.93	$ 132.68	$ 248.45	$ 152.52	$ 168.50	$ 159.71

Alaska Housing Finance Corporation
Site Budgets (Annual) - By Unit
July 1, 2016 Through June 30, 2017

	Cordova	Wrangell	Valdez	Sitka	Bethel	Nome	Kodiak	Wasilla
	216	213	263	280	257	260	265	244
Family/Elderly	Family	Family	Family	Family/Elderly	Family	Family	Family	Elderly
Scattered Site?	No	No	No	No	Yes	No	No	No
Age	1970	1970	2000	84-04	94-96	1997	2006	1984
Recently Renovated?	No	No	No	No	No	No	No	No
Units	16	20	7	43	117	33	40	32
Average Bedroom Size	3.00	2.47	2.43	1.86	3.26	2.91	2.43	1.00
% Occupancy	95%	97%	99%	99%	98%	99%	98%	99%
# of Turn-Overs 4/15 to 3/16	3	5	1	6	31	5	8	4
PEL	654.85	632.89	564.27	506.05	648.29	640.26	542.71	443.82

		Cordova	Wrangell	Valdez	Sitka	Bethel	Nome	Kodiak	Wasilla
		216	213	263	280	257	260	265	244
Income	Dwelling Rents	$ (467.17)	$ (243.18)	$ (219.87)	$ (427.55)	$ (378.70)	$ (440.93)	$ (551.77)	$ (345.81)
	Operating Subsidy	$ (754.08)	$ (716.18)	$ (742.83)	$ (469.95)	$ (692.73)	$ (544.15)	$ (515.07)	$ (447.82)
	Rental Misc. Charges	$ (2.34)	$ (21.48)	$ -	$ (2.01)	$ (44.69)	$ (8.66)	$ (3.18)	$ (2.23)
	Transfer from Capital Fund	$ (86.31)	$ (81.97)	$ (85.02)	$ (53.79)	$ (79.29)	$ (62.28)	$ (58.95)	$ (51.26)
	MTW Fungibility - Operating Reserve	$ (100.85)	$ (100.85)	$ (1,327.05)	$ (229.17)	$ (266.45)	$ (419.19)	$ (146.69)	$ (147.73)
	Cable TV	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (1.61)
	Excess Utilities	$ (7.33)	$ (3.28)	$ (4.70)	$ (3.20)	$ -	$ -	$ (5.30)	$ -
	Laundry	$ -	$ (8.33)	$ -	$ (5.97)	$ -	$ -	$ -	$ (12.24)
	Other Income	$ -	$ -	$ (8.86)	$ -	$ -	$ (1.01)	$ -	$ -
	Non Dwelling Rent	$ -	$ -	$ (35.12)	$ (4.65)	$ -	$ -	$ (6.04)	$ -
	Investment Income	$ (0.21)	$ (0.25)	$ (0.17)	$ (0.10)	$ (0.13)	$ (0.16)	$ (0.11)	$ (0.13)
	Total Income	$ (1,418.30)	$ (1,175.53)	$ (2,423.62)	$ (1,196.38)	$ (1,462.00)	$ (1,476.38)	$ (1,287.12)	$ (1,008.84)
Expense									
Dept									
AMP	Administrative Salaries	$ 137.03	$ 135.68	$ 201.54	$ 60.84	$ 110.91	$ 147.73	$ 160.13	$ 93.40
AMP	Maintenance Labor	$ 233.43	$ 165.43	$ 581.42	$ 225.85	$ 216.46	$ 303.68	$ 195.93	$ 233.71
AMP	Temporary Maintenance Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMP	Worker's Compensation	$ 10.30	$ 8.37	$ 21.76	$ 7.97	$ 9.10	$ 12.55	$ 9.90	$ 9.09
AMP	Leave Cash-In	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMP	Terminal Leave	$ 7.82	$ 6.35	$ 16.52	$ 6.05	$ 6.91	$ 9.53	$ 7.51	$ 6.90
AMP	FICA	$ 28.34	$ 23.03	$ 59.89	$ 21.93	$ 25.04	$ 34.53	$ 27.24	$ 25.02
AMP	Medical Insurance	$ 164.17	$ 160.64	$ 795.96	$ 118.38	$ 179.50	$ 216.35	$ 172.11	$ 151.40
AMP	PERs	$ 81.50	$ 66.25	$ 172.25	$ 63.07	$ 72.02	$ 99.31	$ 78.33	$ 71.96
AMP	ESC	$ 2.00	$ 1.63	$ 4.23	$ 1.55	$ 1.77	$ 2.44	$ 1.92	$ 1.77
AMP	Optional Life	$ 2.00	$ 1.63	$ 4.23	$ 1.55	$ 1.77	$ 2.44	$ 1.92	$ 1.77
350	Administrative Salaries	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
350	Worker's Compensation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
350	Leave Cash-In	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
350	Terminal Leave	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
350	FICA	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
350	Medical Insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
350	PERs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
350	ESC	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
350	Optional Life	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Travel	$ 5.49	$ 6.10	$ 16.67	$ 4.56	$ 2.92	$ 5.18	$ 5.00	$ -
	Training	$ 15.10	$ 15.42	$ -	$ 3.39	$ 4.52	$ 4.29	$ 3.75	$ 1.17
	Management Operations (CFP)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Office Overhead	$ 0.52	$ 0.42	$ 1.19	$ 0.19	$ 0.07	$ 0.25	$ 0.21	$ 0.26
	Legal Expenses	$ 7.81	$ 6.25	$ 10.54	$ 3.88	$ 2.14	$ 7.58	$ 7.29	$ 5.21
	Audit Fees	$ 2.44	$ 2.44	$ 2.44	$ 2.49	$ 2.44	$ 2.44	$ 2.44	$ 2.44
	Temp Contractual Employees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Office Rent	$ 23.44	$ 11.55	$ -	$ -	$ -	$ -	$ -	$ 9.11
	Subscriptions & Publications	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Equipment Rental & Maintenance	$ -	$ 2.08	$ -	$ 0.68	$ 0.85	$ 6.06	$ 0.83	$ 1.15
	Telephone	$ 11.46	$ 5.42	$ 17.86	$ 11.63	$ 3.42	$ 7.58	$ 5.42	$ 7.81
	Data Communications	$ 4.17	$ 3.75	$ 13.10	$ 1.74	$ 1.07	$ 2.78	$ 0.42	$ 1.30
	Consulting Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Office Overhead (over / short)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Bank Fees	$ 2.60	$ 5.00	$ 11.90	$ 2.91	$ 1.42	$ 2.53	$ 2.50	$ 1.56
	Resident Services Contracts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Reasonable Accommodation Moves	$ -	$ -	$ -	$ 0.97	$ -	$ -	$ 1.04	$ 0.78
	Resident Services Cable TV	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2.19
	Protective Services Contract	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Insurance	$ 59.90	$ 62.50	$ 63.10	$ 97.29	$ 119.66	$ 83.33	$ 71.25	$ 47.40
	Payment in Lieu of Taxes (PILOT)	$ 72.92	$ 8.75	$ 3.04	$ 27.13	$ -	$ 34.34	$ 24.38	$ 23.18
	Freight & Express Charges	$ 3.91	$ 6.25	$ 5.95	$ 1.55	$ 8.55	$ 5.05	$ 2.50	$ 1.98
	Water	$ 31.25	$ 38.75	$ 15.48	$ 44.57	$ 165.24	$ 42.93	$ 43.75	$ 18.23
	Sewer	$ 48.96	$ 40.21	$ 17.86	$ 60.08	$ 53.42	$ 53.03	$ 62.50	$ 22.14
	Electricity	$ 41.67	$ 145.83	$ 47.62	$ 32.95	$ 11.54	$ 11.36	$ 24.38	$ 25.00
	Natural Gas	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 63.80
	Heating Oil	$ 192.71	$ -	$ 154.76	$ 67.83	$ 287.75	$ 214.65	$ 125.00	$ -
	Maintenance Contracts	$ 26.04	$ 16.67	$ 17.86	$ 19.38	$ 2.49	$ 3.79	$ 36.46	$ 5.21
	Vehicle Repair & Maintenance	$ 2.60	$ 5.00	$ 2.98	$ 3.39	$ 5.70	$ 6.31	$ 4.17	$ 6.51
	Garbage / Refuse	$ 15.63	$ 31.04	$ -	$ 29.07	$ 18.34	$ 31.57	$ 50.00	$ 13.23
	Extra-Routine Maint Contracts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Casualty Loss Contracts	$ 0.79	$ 0.79	$ 0.79	$ 0.81	$ 0.79	$ 0.79	$ 0.79	$ 0.79
	Gas, Oil & Grease	$ 13.02	$ 12.50	$ 11.90	$ 4.84	$ 10.68	$ 3.79	$ 3.75	$ 9.11
	Vehicle Maintenance Supplies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Maintenance Materials	$ 13.02	$ 54.17	$ 47.62	$ 19.38	$ 35.61	$ 16.41	$ 18.75	$ 20.83
	Appliances	$ 7.81	$ 4.17	$ 9.52	$ 1.94	$ 7.12	$ 5.05	$ 2.08	$ 6.51

	Alaska Housing Finance Corporation Site Budgets (Annual) - By Unit July 1, 2016 Through June 30, 2017							
	Cordova	Wrangell	Valdez	Sitka	Bethel	Nome	Kodiak	Wasilla
	216	213	263	280	257	260	265	244
Maintenance Equipment < $5,000	$ 2.60	$ 22.92	$ -	$ 0.97	$ -	$ -	$ -	$ 2.60
General Office Supplies	$ 4.17	$ 2.08	$ 5.95	$ 1.26	$ 0.93	$ 1.52	$ 1.04	$ 3.91
Postage	$ 1.04	$ 0.42	$ 1.19	$ 0.63	$ 0.71	$ 1.52	$ 0.83	$ 2.08
Office Equipment < $5,000	$ -	$ -	$ -	$ -	$ -	$ 3.79	$ -	$ -
Resident Services Supplies	$ 2.08	$ 1.67	$ -	$ -	$ 2.08	$ 2.08	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Replacement Vehicle	$ -	$ -	$ -	$ 42.64	$ -	$ -	$ 45.83	$ -
Total Expense Before COCC Fees	**$ 1,279.73**	**$ 1,081.14**	**$ 2,337.10**	**$ 995.34**	**$ 1,372.95**	**$ 1,388.54**	**$ 1,201.34**	**$ 921.35**
Profit/(Loss) Before COCC Fees	**$ 138.56**	**$ 94.38**	**$ 86.52**	**$ 201.04**	**$ 89.05**	**$ 87.84**	**$ 85.77**	**$ 87.49**
Bookkeeping Fees	$ 7.50	$ 7.50	$ 7.50	$ 7.67	$ 7.50	$ 7.50	$ 7.50	$ 7.50
Asset Management Fees	$ 10.00	$ 10.00	$ 10.00	$ 10.23	$ 10.00	$ 10.00	$ 10.00	$ 10.00
Property Management Fees	$ 67.64	$ 67.64	$ 67.64	$ 69.21	$ 67.64	$ 67.64	$ 67.64	$ 67.64
Total Fees	$ 85.14	$ 85.14	$ 85.14	$ 87.12	$ 85.14	$ 85.14	$ 85.14	$ 85.14
Total Expense After COCC Fees	**$ 1,364.88**	**$ 1,166.28**	**$ 2,422.24**	**$ 1,082.46**	**$ 1,458.09**	**$ 1,473.68**	**$ 1,286.48**	**$ 1,006.49**
Profit/(Loss) After COCC Fees **(Cashflow from Operations)**	**$ 53.42**	**$ 9.24**	**$ 1.38**	**$ 113.92**	**$ 3.91**	**$ 2.70**	**$ 0.63**	**$ 2.35**
Adminis								
	$ 137.02	$ 135.68	$ 201.53	$ 60.85	$ 68.19	$ 147.73	$ 160.12	$ 21.39
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 54.51
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housing Program	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17.51
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housing F	$ -	$ -	$ -	$ -	$ 42.01	$ -	$ -	$ -
Housing F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housing F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housing F	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Housing P	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Summer Stu	$ -	$ -	$ -	$ -	$ 0.71	$ -	$ -	$ -
	$ 137.02	$ 135.68	$ 201.53	$ 60.85	$ 110.91	$ 147.73	$ 160.12	$ 93.40
Mainte								
Lead Mai	$ -	$ -	$ -	$ -	$ 82.22	$ -	$ -	$ -
Mai	$ 233.43	$ 124.70	$ 581.42	$ 180.58	$ 52.40	$ 303.68	$ 195.93	$ 233.71
Mai	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mai	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mai	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mai	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mai	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mai	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ 40.73	$ -	$ 45.28	$ 42.65	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ 39.18	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Summer Stu	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 233.43	$ 165.43	$ 581.42	$ 225.85	$ 216.46	$ 303.68	$ 195.93	$ 233.71

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Alaska Housing
FINANCE CORPORATION

BOARD CONSIDERATION MEMORANDUM

Date: June 29, 2016 **Staff: Les Campbell**

Item: Review and approval of the transfer and booking of certain program Operating Reserves.

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Background:

Under the old HUD accounting rules, Public Housing Authorities (PHA) were required to maintain certain program reserves at various HUD prescribed levels. For example, back in the 90's the Low Rent program had to have enough reserves to cover at least five months of operating expenses. At that time, if a PHA got as low as two months' worth of operating expenses, the PHA would be in danger of receiving the Troubled Agency designation and could face restrictions, penalties, and possibly heavy oversight burdens.

HUD has tried to change from the old "HUD Accounting Rules" and has adopted Generally Accepted Account Principles (GAAP), for the most part. In doing so, HUD no longer requires an account labeled Operating Reserves; however, they still require PHAs to keep track of a new version of "Operating Reserves." Today, the Accounting department updates a spreadsheet monthly to produce a formula driven amount for what HUD now refers to as the program's reserves. Therefore, AHFC Operating Reserves are now estimated as "*Net Assets less Investment in Capital Assets*." For the most part this could be cash, but not necessarily all the cash and it could include other asset accounts as well.

Tracking Operating Reserves is important to AHFC for a number of reasons. Today's Low Rent Operating Program requires AHFC to maintain at least one month's funding in the Operating Reserves in order for the Central Office Cost Center to take the AMP's Asset Management Fee annually.

The Operating Reserves should serve as a gauge of how financially healthy the program might be. The typical way the reserve might grow is by spending less than the revenue earned. By most standards, a healthy reserve would be, or should be, regarded as a good thing. However, today's federal housing program reserves could be operationally considered "at risk," or vulnerable, at least for AHFC. For example: when Congress short-funds HUD's programs or when HUD is low on funding capacity, they frequently threaten to fund current shortfalls from this source regardless of whether or not the PHA had other plans or non-committed obligations for the funds.

To prevent the unintended loss, or multiple commitments of these funds, AHFC staff is recommending that the Board approve the transfers outlined below.

This action falls partially under the umbrella of the Moving to Work (MTW) program, using the Single-Fund flexibility for the Low Rent reserves. However, the Section 8 New Construction program allows individual AMPs reserves and revenues to be used only for the AMP that received the funds.

This proposal, if approved, should be completed prior to the June 30, 2016 fiscal year-end:

The Low Rent program total Operating Reserve as of March 31, 2016 is $9,890,069. Part of these funds include transfers from the Capital Fund Program (CFP) a component piece of the MTW program group that was put into the Reserves prior to its expense deadlines.

The Section 8 New Construction program total Operating Reserve as of March 31, 2016 is $10,329,926.

As part of MTW funding flexibility, the PHA is allowed to build and dedicate part of their reserves for capital improvements or development purposes, which is a direction that AHFC has taken and already begun. The consensus among the MTW Housing Authorities is that if an agency makes plans and those plans are approved by the governing Board, funds should be placed in a "safe harbor area" and separated from routine operating accounts, thereby protecting them for whatever the approved activity may be. Through the FY2017 Capital Budget request, the Board has already committed part of its reserve balance for the Facility Management Program. This program has gone through the FY2017 Budget Cycle, only awaiting the Governor's signature and this formal transaction.

This proposal will move up to $5,000,000 out of the Low Rent and Section 8 New Construction's combined "Operating Reserve" and transfer them to other funds already setup for the Facility Management Program, and will remain there until AHFC exhausts these funds over the next few years.

In the past, AHFC has provided funding for Public Housing Division's (PHD) construction projects through the AHFC Dividend; however, there has been no AHFC Dividend funding available for past two years. Because the uses of federal funding for this purpose are insufficient, it is anticipated that AHFC's future PHD's Capital Budget requests will be funded once again with AHFC Dividend funding.

This will leave approximately $7,325,400, still in the Low Rent Operating Reserves, which is equivalent to a little more than four months Operating Expenses, only one month is required. There will be approximately $9,968,200 left in the combined AMPs in the Section 8 New Construction program's Operating Reserves.

Summary and Recommendation:

This action will have no effect on the Corporation's Profit & Loss Statement for the current year, but will cleanup and help staff to manage and protect the PHD program's critical funding mechanisms.

Staff recommends the Board approve this transfer of funds and direct and authorize the Accounting Department to book the above mentioned transfers prior to FY2016 yearend, June 30, 2016.

ALASKA HOUSING FINANCE CORPORATION
RESOLUTION NO. 2016-18

RESOLUTION OF THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE CORPORATION APPROVING THE TRANSFER AND BOOKING OF CERTAIN PROGRAM OPERATING RESERVES INTO THE ASSOCIATED CAPITAL IMPROVEMENT PROGRAM (CIP) ACCOUNTS FOR THE FACILITY MANAGEMENT PROGRAM

WHEREAS, the Budget Director of the Alaska Housing Finance Corporation has reviewed and prepared the proposed changes to certain program Operating Reserves;

WHEREAS, the Moving to Work (MTW) program rules allow an MTW agency to use its programs Operating Reserves and revenues for the best use and benefit of the MTW agency and its covered programs.

WHEREAS, the Alaska Housing Finance Corporation is an MTW agency and has the authority to use program funds for the Low Rent program, The Section 8 Voucher program, and the Capital Fund program as a single fund block grant.

HOWEVER, the Section 8 New Construction program only allows its individual AMP Operating Reserves and revenues to be used only for the AMP that received the funds;

WHEREAS, the Budget Director has proposed to use up to $5,000,000 from the combined Low Rent and Section 8 New Construction AMPs to fund the Corporation's Facility Management Program for the use in these two Public Housing Division (PHD) programs;

WHEREAS, the Budget Director discussed the proposed uses of certain program Operating Reserves with the Director of the Public Housing Division, the Controller, and the Executive Office;

WHEREAS, this proposal was included in the Corporation's Capital Budget request and was previously approved by the Board of Directors, the Governor's Office and the Legislature, contingent upon the Governor's signature;

WHEREAS, the Corporation finds it is in its best interest to transfer up to $5,000,000 of Low Rent's and Section 8 New Construction's Operating Reserves to the associated Capital Improvement Program (CIP) accounts for the Facility Management to be used to protect the Housing Rental units owned and operated by AHFC;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Alaska Housing Finance Corporation having reviewed this proposal, has approve this action and directs the Executive Office to move forward by authorizing AHFC's Accounting Department to book the above action prior to FY2016 yearend.

PASSED AND APPROVED by the Board of the Alaska Housing Finance Corporation this twenty-ninth day of June, 2016.

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Brent LeValley, Board Chair

2. Facility Management Program

Reference Number:	#6339	
Historical Category:	Development	
Location:	Statewide	
Election District:	Statewide	
Project Type:	Renewal and Replacement	
Estimated Project Dates:	7/01/2016 - 6/30/2021	
FY2017 Request:	$5,000,000	Federal Receipts
FY2017 Funding:	$	Federal Receipts

The purpose of this authorization is to: Provide reliable, clean, safe, energy efficient and affordable housing to Alaskans through the use of proactive facility management principles. The Facilities Management section will accomplish this through a variety of ways including: contracting, in-house workforce, technical assistance, preventive, and extraordinary maintenance across the state.

This program combines the previously funded programs of Statewide Project Improvements, Building Systems Replacement Program, Fire Protection Systems, Security Systems Replacements/Upgrades, and Statewide ADA Improvements into one appropriation.

The projected outcomes are advancements in:

- Extending the useful life of facilities;
- Reducing maintenance costs, through life cycle based planned replacements;
- Provide increased safety and security to residents;
- Maintaining compliance with the Americans with Disabilities Act (ADA) and Section 504 of the Fair Housing Act;
- Securing federal funding by complying with HUD mandates;
- Facilities that allow for “aging-in-place” for seniors;
- Increasing unit rent-ability;
- Reducing Maintenance and custodial costs by reducing vandalism;
- Providing for emergency repairs, i.e., roof repairs, environmental remediation, fire alarm system, etc.;
- Allowing quick response to code changes, life safety issues, and unforeseen conditions;
- Providing amenities not originally programmed; and
- Enhancing “Operations” for individual Asset Management Projects (AMPs).

Program Description

This program will address preventive maintenance work items (deferred maintenance), improve energy efficiency, mitigate existing environmental hazards, and make improvements to Alaska Housing Finance Corporation (AHFC) owned properties throughout the state. This is a continuation of AHFC’s preventative maintenance program, addressing the deterioration of existing building system components such as roofs, sidewalks, exterior envelope, interior comfort, life/safety, and common areas. This will enhance unit operations and maintenance and allow quick response to ordinance and code changes. Furthermore, this program will address major or extraordinary work items identified annually through the Physical Needs Assessments (PNA) by the public housing maintenance staff and asset supervisors. This program includes five sub-programs: 1) Statewide Project Improvements; 2) Building Systems Replacement Program; 3) Fire Protections Systems; 4) Security Systems Replacement/Upgrades; and 5) Statewide ADA Improvements.

1. Statewide Project Improvements Program - $1,500,000

The purpose of this funding program is to provide repairs, replacements, and improvements to AHFC's rental housing inventory. This funding program will use federal funding to provide repair and improvements to AHFC's public housing throughout the state.

This project allows AHFC to keep pace with routine repair and replacement of existing building components such as HVAC systems, roofs, sidewalks, and common areas identified in the Physical Needs Assessments (PNAs) from each Asset Management Project (AMP), as well as improvements based upon recurring inspections from the U.S. Department of Housing and Urban Development (HUD).

The projected outcomes are advancements in:
- Extending the useful life of facilities;
- Providing for emergency repairs, i.e., roof repairs, environmental remediation, fire alarm system, etc.;
- Allowing quick response to code changes, life safety issues, and unforeseen conditions;
- Facilities that allow for "aging-in-place" for seniors;
- Increase unit rent-ability;
- Providing amenities not originally programmed; and
- Enhancing "Operations" for individual Asset Management Projects (AMPs).

Program Description:
Statewide Project Improvements is an on-going annual request to address items that make AHFC properties safer and more comfortable for our residents. The PNAs are updated continuously for each AMP and then prioritized on a statewide basis to determine the most efficient and cost effective use of the funds. A portion of the fund is also set aside as a contingency for each AMP to address site specific needs to be addressed by the Asset Supervisor and Maintenance Lead as contract work or in-house repairs and upgrades. Additionally, this funding has been used to respond quickly to fire or flood damage where the cost of repairs is under the Corporation's insurance deductible. Projected future uses are sidewalk replacements, installation of storage sheds, increased parking lot lighting, and repairs identified by routine HUD-sponsored Real Estate Assessment Center (REAC) inspections of public housing units and sites.

In addition, routine maintenance funds received from HUD are not keeping pace with the deterioration of building components from aging and use. It is important for AHFC to have funding available to maintain the units in a safe and rentable condition.

This program will result in enhancement of AHFC's properties throughout the state by increasing their rent-ability and lowering maintenance costs.

Funding History:

FY2014	Sec1 Ch16 SLA2013 P77 L19 SB18	$1,000,000	State General Funds
FY2013	Sec1 Ch17 SLA2012 P131 L8 SB160	$2,000,000	Corporate Dividends
FY2012	Sec1 Ch5 SLA2011 P99 L3 SB46	$2,000,000	Corporate Dividends
FY2011	Sec7 Ch43 SLA2010 P35 L8 SB230	$2,000,000	Corporate Dividends
FY2010	Sec1 Ch15 SLA2009 P20 L28 SB75	$2,000,000	Corporate Dividends
FY2009	Sec13 Ch29 SLA2008 P157 L32 SB221	$2,500,000	Corporate Dividends
FY2008	Sec4, Ch30 SLA2007 P103 L26 SB 53	$2,000,000	Corporate Dividends
FY2007	Sec1, Ch3 SLA2006 P83 L22 SB 231	$2,000,000	Corporate Dividends
FY2006	Sec1, Ch3 SLA2005 P65 L22 SB 231	$150,000	Corporate Dividends

2. Building System Replacement Program - $2,000,000

The purpose of this authorization is to: Address specific major repair and/or replacement items identified in a five-year review. This funding program will use federal funds to facilitate the statewide preventative maintenance schedules and planned component replacement strategies and make repairs to major building components at various AHFC structures and units throughout the state.

The projected outcomes are advancements in:

- Reduce Maintenance costs, through life cycle based planned replacements;
- Extending the useful life of facilities; and
- Increase safety for tenants.

Program Description:
The Building System Replacement Program addresses specific major repair or replacement items identified in a five-year look ahead review of each site. The program is intended to address repair or replacement before deferred maintenance results in additional damage or untimely failure that would result in additional cost.

Items scheduled for repair or replacement to include interior lighting upgrades, roof replacements, and domestic waterline infrastructure replacement at various Public Housing locations statewide.

Funding History:

FY2014	Sec1 Ch16 SLA2013 P76 L19 SB 18	$1,250,000	State General Funds
FY2013	Sec1 Ch17 SLA2012 P130 L8 SB160	$1,500,000	Corporate Dividends
FY2012	Sec1 Ch5 SLA2011 P98 L5 SB46	$1,500,000	Corporate Dividends
FY2011	Sec7 Ch43 SLA2010 P33 L30 SB230	$1,500,000	Corporate Dividends
FY2010	Sec1 Ch15 SLA2009 P19 L20 SB75	$1,000,000	Corporate Dividends

3. Fire Protection Systems - $1,000,000

The purpose of this funding program is to replace antiquated fire protection systems and/or make life/safety code repairs to public housing fire protections systems statewide. This funding program uses federal funds to repair and/or replace fire protection systems in multifamily and senior/disabled public housing statewide. The project is based upon a recent fire protection survey completed by a licensed fire protection engineer and subsequent testing of existing fire protection systems.

The projected outcomes are advancements in:

- Reduction in Maintenance costs;
- Protection of building occupants (Life/Safety);
- Preservation of corporate assets;
- Compliance with current fire protection codes & standards; and
- Increase useful life of facilities.

Program Description:
Fire Protection Systems program will continue to provide the means to address fire protection and code compliance issues previously identified. Progress on upgrades continue to be made as suggested in a comprehensive survey conducted in 2008 by a professional fire protection engineering firm that evaluated public housing fire protection systems throughout the state.

The purpose of the survey was to identify the location, type, age, code compliance, and current condition of the systems. During the survey process, fire protection systems were identified that require upgrades to comply with current fire safety codes. An additional evaluation was preformed to determine proper functioning, and replacement of components that have exceeded their useful life.

Projected uses for this funding request include replacement of sprinkler systems at Seaview Terrace (Ketchikan) and Cedar Park (Juneau), testing and evaluation of current systems, and any issues identified in annual inspections performed by the State Fire Marshal, local authority, or HUD.

Funding History:

FY2014	Sec1 Ch16 SLA2013 P77 L3 SB18	$2,000,000	State General Funds
FY2013	Sec1 Ch17 SLA2012 P130 L23 SB160	$2,200,000	Corporate Dividends
FY2012	Sec1 Ch5 SLA2011 P98 L17 SB46	$2,200,000	Corporate Dividends
FY2011	Sec7 Ch43 SLA2010 P34 L17 SB230	$2,200,000	Corporate Dividends
FY2010	Sec1 Ch15 SLA2009 P20 L3 SB75	$1,380,000	Corporate Dividends

4. Security System Replacements/Upgrades - $300,000

The purpose of this funding program is to upgrade and/or install security and door access systems at senior/disabled and multifamily public housing complexes. This funding program will use federal funding to replace obsolete security and entry systems statewide. The systems are evaluated for improvements or enhancements not afforded under the older technology.

The projected outcomes are advancements in:

- Provide increased safety and security to residents;
- Reduce maintenance and custodial costs by reducing vandalism;
- Extending the useful life of facilities;
- Facilities that allow for “aging-in-place” for seniors;
- Increasing unit rent-ability; and
- Improving daily operations of individual Asset Management Projects (AMPs).

Program Description:
Security Systems Replacement/Upgrades program will replace obsolete systems that are no longer supported by manufacturers.

A comprehensive survey was conducted to identify the location, configuration and current condition of door access and security systems at AHFC-owned public housing sites throughout the State. Many of the systems were found to be comprised of analog-type cameras, recorders, card readers, and software components that are no longer supported by the various manufacturers of the systems. The current systems are also not compatible with currently technology making increased coverage impossible. The survey also identified the need for security or door access systems at other AHFC facilities.

Projected use for this funding includes replacing obsolete systems with standardized systems and installing new systems to increase resident security and protect corporate assets. Standardization will consolidate purchasing and provide ease of maintenance and lower operational costs.

Funding History:

FY2014	Sec1 Ch16 SLA2013 P77 L11 SB18	$400,000	State General Funds
FY2013	Sec1 Ch17 SLA2012 P130 L31 SB160	$500,000	Corporate Dividends
FY2012	Sec1 Ch5 SLA2011 P98 L26 SB46	$500,000	Corporate Dividends
FY2011	Sec7 Ch43 SLA2010 P34 L28 SB230	$500,000	Corporate Dividends
FY2010	Sec1 Ch15 SLA2009 P20 L19 SB75	$300,000	Corporate Dividends

5. Statewide ADA Improvements - $200,000

The purpose of this funding program is to complete necessary accessibility upgrades under AHFC's Voluntary Compliance Agreement with the U.S. Department of Housing and Urban Development. Statewide ADA Improvements program will use federal funds to continue to implement accessibility upgrades identified by a HUD Fair Housing Inspection.

The projected outcomes are advancements in:

- Maintaining compliance with the Americans with Disabilities Act (ADA), Section 504 of the Fair Housing Act;
- Securing federal funding and any additional HUD mandates;
- Extending the useful life of facilities;
- Facilities that allow for "aging-in-place" for seniors;
- Increasing unit rent-ability; and
- Improving daily operations of individual Asset Management Projects (AMPs).

Program Description:
A voluntary compliance agreement (VCA) was negotiated with HUD to address accessibility issues where AHFC is expected to upgrade a minimum number of units. Accessibility upgrades include parking spaces, sidewalks, wheelchair ramps, kitchens, bathrooms, entry doors, and appliances at AHFC owned properties.

The goal is to provide a variety of sizes and types of units with accessible features in every community we serve. Upgrades must also occur in AHFC offices and public areas. Implementation of these accessibility upgrades will increase accessibility and provide for easier access to AHFC services and locations for individuals with disabilities.

Locations and surveys have been done at various statewide locations. The repairs and certification phase has yet to be fully funded.

Funding History:

FY2014	Sec1 Ch16 SLA2013 P77 L17 SB18	$500,000	Corporate Dividends
FY2013	Sec1 Ch17 SLA2012 P131 L6 SB160	$500,000	Corporate Dividends
FY2012	Sec1 Ch5 SLA2011 P98 L32 SB46	$500,000	Corporate Dividends
FY2011	Sec7 Ch43 SLA2010 P35 L6 SB230	$500,000	Corporate Dividends
FY2009	Sec13 Ch29 SLA2008 P157 L28 SB221	$500,000	Corporate Dividends

<u>Facility Management Program Spending Plan</u>

	Total $	FY2017	FY2018	FY2019	FY2020	FY2021
1002:	$5,000,000	$2,000,000	$2,000,000	$1,000,000	$0	$0

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Resident Advisory Board

Report to the AHFC Board of Directors

June 29, 2016

Members

- Board members present: Alberta Bulacan (Anchorage), Ronny Caton (Petersburg), Victoria Garcia (Wrangell), Gina Hoyt (Juneau), Ronald Mallott (Anchorage), Billie Meisinger (Kenai), Sean Reilly (Fairbanks), Mary Thoeni (Wasilla)
- Board members absent: Tanya Zuniga (Fairbanks)
- AHFC: Catherine Stone, Michael Courtney, Sherrie Hinshaw, Michael Singleton, Tammy Steele, Pamela Stantorf

Bryan Butcher, AHFC CEO/Executive Director, welcomed RAB members to Anchorage and expressed AHFC's thanks for taking an active role in AHFC's operations. He gave a brief overview of the AHFC Board of Director's meeting and their role.

The Resident Advisory Board met on April 27, 2016 and discussed the following topics.

Public Comments

Sean Reilly, RAB member, provided comment regarding the Housing First development in Fairbanks. He stated that at the last Planning Commission meeting, concerns were raised by homeowners and business owners in the area of the development regarding the behavior of its residents. He stated there were complaints regarding loitering, trespassing on private property, public urination and defecating, and intoxicated individuals. He stated that all complaints centered on the public health and safety issues raised by the behavior of the Housing First tenants.

AHFC thanked Mr. Reilly for his comments. AHFC clarified that it is not providing a direct subsidy to this development, but there may be Housing Choice Voucher holders who are choosing to reside at the property. If they are using an AHFC voucher at the location, AHFC would be ensuring that the unit met federal Housing Quality Standards (decent, safe, sanitary housing). AHFC suggested that Mr. Reilly might direct concerned individuals to make their concerns known to the manager of the property.

Facilities Management Update

Michael Singleton provided a brief overview of the EMT (extraordinary maintenance team) or Road Crew. He explained the difference between daily, required maintenance and the type of work the road crew performs. He provided the following updates on facilities management work.

1. Bethel – the road crew is working in Bethel on units that need rehabilitation work to ready them for occupancy. This includes work on the foundations and accessibility features.
2. Wrangell – the crew is working on sidewalks to address tripping hazards and needed repairs.
3. Chugach View, Anchorage – work is in progress on the fire suppression system in the attic, and work is in progress on "soft spots" in the common area hallways. A Community Room door was altered to allow for easier access of equipment and furniture.
4. Cordova – work is scheduled to address needed siding and window replacement. The project is currently in the bid process.
5. Seward – Sidewalk work is scheduled to address needed repairs.
6. Anchorage – various locations needing sidewalk work are scheduled for this summer.

RAB members commented that the new sidewalk work in Wrangell is successful as residents' children are out riding their bikes and enjoying them. Members also asked about the possibility to install some speed bumps in the Chugach Manor/Chugach View parking lot. They state persons cut through the parking lots at a high speed.

Jumpstart Update
Sherrie Hinshaw provided the following updates on the Jumpstart Program.

1. Ms. Hinshaw stated that Jumpstart is primarily focused on Step Program families who will be experiencing financial hardship due to their increasing rent responsibilities. Jumpstart provides intensive, one-on-one counseling for families to address barriers to successful employment. She then gave a couple of examples of successful Jumpstart interventions where Jumpstart staff were able to assist individuals with improving their job skills or retaining their current employment.
2. Jumpstart has enrolled over 350 families. They are in the process of hiring an additional three case managers, one of which will be located in Bethel.

Report of the RAB Chair, Tanya Zuniga
Ms. Zuniga was not present, but had relayed to AHFC that there were no new topics of concern to members.

Report of the Director, Public Housing Division
Catherine Stone provided information to members on the following topics:

- **Update on the AHFC PHD Budget** - Contributions to PHD from the State of Alaska are diminished. PHD usually receives additional funding from the State for our renovation/modernization repair needs. We expect that the majority of our funding, which comes from the federal government, will remain at approximately the same level as last year.

- **Report on the Moving to Work Conference and MTW Extension** - Ms. Stone attended the national conference in Washington, D.C., last week and feels that AHFC is on the right path with our Moving to Work activities. AHFC will be seeking to hire someone to oversee our development activities which occur under our subsidiary company, the Alaska Corporation for Affordable Housing (ACAH). Alaska has a shortage of affordable housing and part of this person's responsibilities will be analyzing all the areas where we currently have housing and determining which areas are most in need.

- **Other**
  - April is Fair Housing month. AHFC supports equal access to housing and housing opportunities for all persons. In support, AHFC has conducted fair housing training for our newer staff members to educate them on the importance of informing persons of their options and rights.

  - The HUD Real Estate Assessment Center (REAC) has scheduled inspections of AHFC properties. REAC looks at properties we own and operate to make sure that they are kept in good repair. Inspectors have already been to Juneau and Nome. We are finding that our scores are good, and most deductions have been caused by tenant actions such as removing or disabling a smoke detector. We expect to continue to do well.

  - Our Moving Home Program is doing well, and our partner continues to provide referrals for this voucher program that is reserved for persons with a disability that are receiving services from the State of Alaska. Along with the success of Moving Home, PHD received an invitation from HUD to apply for an additional 24 Veterans Affairs Supportive Housing (VASH) vouchers. Our success rate with leasing veterans means that HUD usually contacts AHFC with an invitation to apply for more vouchers when money becomes available. We have responded yes, and with this newest increment, AHFC will increase our overall total to 271.

Other Matters
RAB members discussed the lack of affordable housing and how critical it is to the success of many families.

Members inquired about AHFC's plans regarding smoke-free housing. AHFC stated that we are watching the current proposal's progress in this year's legislative session. HUD has not yet issued any additional guidance to housing authorities other than to suggest that smoke-free housing is a good idea.

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ALASKA HOUSING FINANCE CORPORATION

MAY 2016 COMPARATIVE ACTIVITY SUMMARY

Mortgage & Bond Portfolio:	As Of/Through Fiscal Year End			As Of/Through Fiscal Month End		
	FY 2014	FY 2015	% Change	05/31/15	05/31/16	% Change
Total Mortgage Portfolio	**2,520,778,596**	**2,649,246,997**	**5.1%**	**2,623,452,816**	**2,794,000,480**	**6.5%**
Mortgage Average Rate %	4.93%	4.77%	(3.2%)	4.80%	4.68%	(2.5%)
Delinquency % (30+ Days)	4.87%	3.88%	(20.3%)	4.17%	3.65%	(12.5%)
Foreclosure % (Annualized)	0.58%	0.45%	(22.4%)	0.48%	0.24%	(50.0%)
Mortgage Purchases	545,989,872	463,402,992	(15.1%)	413,951,473	460,768,136	11.3%
Mortgage Payoffs	219,206,635	240,116,152	9.5%	214,713,069	211,856,245	(1.3%)
Purchase/Payoff Variance	**326,783,237**	**223,286,840**	**(31.7%)**	**199,238,404**	**248,911,891**	**24.9%**
Purchase Average Rate %	4.52%	4.10%	(9.3%)	4.12%	4.01%	(2.7%)
Bonds - Fixed Rate	1,344,705,000	1,207,110,000	(10.2%)	1,235,215,000	1,182,325,000	(4.3%)
Bonds - Floating Hedged	783,795,000	743,025,000	(5.2%)	754,920,000	726,930,000	(3.7%)
Bonds - Floating Unhedged	150,045,000	190,045,000	26.7%	190,045,000	190,045,000	0.0%
Total Bonds Outstanding	**2,278,545,000**	**2,140,180,000**	**(6.1%)**	**2,180,180,000**	**2,099,300,000**	**(3.7%)**
Requiring Self-Liquidity	445,895,000	254,755,000	(42.9%)	257,380,000	165,915,000	(35.5%)
Bond Average Rate %	3.77%	3.65%	(3.2%)	3.66%	3.70%	1.1%
New Bond Issuances	124,400,000	423,005,000	240.0%	329,640,000	55,620,000	(83.1%)
Special Bond Redemptions	54,815,000	434,800,000	693.2%	284,715,000	32,345,000	(88.6%)
Issue/Redemption Variance	**69,585,000**	**(11,795,000)**	**(117.0%)**	**44,925,000**	**23,275,000**	**(48.2%)**
Issuance Average Yield %	3.27%	2.03%	(37.9%)	1.68%	2.68%	59.5%
Mortgage/Bond Spread %	**1.16%**	**1.12%**	**(3.4%)**	**1.14%**	**0.98%**	**(14.0%)**
Mortgage/Bond Ratio	**1.11**	**1.24**	**11.9%**	**1.20**	**1.33**	**10.6%**

Cash & Investments:	Investment Amounts as of Month End			Annual Returns as of Month End		
	05/31/15	05/31/16	% Change	05/31/15	05/31/16	% Change
GeFONSI SL Reserve	447,807,278	336,534,353	(24.8%)	0.41%	0.60%	46.3%
Bond Trust Funds	367,889,322	211,991,211	(42.4%)	0.54%	0.65%	20.4%
SAM General Fund	125,216,783	88,069,991	(29.7%)	0.19%	0.24%	26.3%
Mortgage Collections	39,000,985	37,745,345	(3.2%)	0.17%	0.20%	17.6%
HAP/Senior Funds	28,537,816	943,167	(96.7%)	0.33%	0.42%	27.3%
Total Investments	**1,008,452,184**	**675,284,067**	(33.0%)	**0.42%**	**0.55%**	30.5%

ALASKA HOUSING FINANCE CORPORATION

MAY 2016 COMPARATIVE ACTIVITY SUMMARY

AHFC Financial Statements:
(in Thousands of Dollars)

	Fiscal Year Annual Audited			Thrid Quarter Unaudited		
	FY 2014	FY 2015	% Change	FY 2015	FY 2016	% Change
Mortgage & Loan Revenue	120,740	126,140	4.5%	94,519	96,506	2.1%
Investment Income	9,019	6,026	(33.2%)	4,706	4,422	(6.0%)
Externally Funded Programs	163,739	146,236	(10.7%)	101,302	92,038	(9.1%)
Rental Income	8,951	9,342	4.4%	6,765	7,757	14.7%
Other Revenue	5,637	2,355	(58.2%)	7,728	1,724	(77.7%)
Total Revenue	**308,086**	**290,099**	**(5.8%)**	**215,020**	**202,447**	**(5.8%)**
Interest Expenses	81,184	75,349	(7.2%)	57,662	52,457	(9.0%)
Housing Grants & Subsidies	149,188	125,222	(16.1%)	95,903	78,200	(18.5%)
Operations & Administration	58,771	53,287	(9.3%)	45,946	39,369	(14.3%)
Rental Housing Expenses	14,159	17,086	20.7%	12,824	11,783	(8.1%)
Mortgage and Loan Costs	9,442	11,327	20.0%	7,725	8,612	11.5%
Financing Expenses	4,415	5,064	14.7%	3,880	2,833	(27.0%)
Provision for Loan Loss	(5,688)	(5,741)	(0.9%)	(7,514)	(4,154)	44.7%
Total Expenses	**311,471**	**281,594**	**(9.6%)**	**216,426**	**189,100**	**(12.6%)**
Operating Income (Loss)	**(3,385)**	**8,505**	**351.3%**	**(1,406)**	**13,347**	**1049.3%**
Contributions to the State	1,380	3,825	177.2%	3,754	34	(99.1%)
Change in Net Position	**(4,765)**	**4,680**	**198.2%**	**(5,160)**	**13,313**	**358.0%**
Total Assets/Deferred Outflows	4,055,203	3,916,302	(3.4%)	3,983,736	3,951,816	(0.8%)
Total Liabilities/Deferred Inflows	2,545,295	2,430,821	(4.5%)	2,478,988	2,453,022	(1.0%)
* Net Position	**1,509,908**	**1,485,481**	**(1.6%)**	**1,504,748**	**1,498,794**	**(0.4%)**

AHFC Dividend Calculation:
(in Thousands of Dollars)

	Through Fiscal Year		
	FY 2014	FY 2015	% Change
Change in Net Position	(4,765)	4,680	198.2%
Add - State Contributions	1,380	3,825	177.2%
Add - SCPB Debt Service	11,329	11,420	0.8%
Add - AHFC Capital Projects	17,467	14,642	(16.2%)
Adjusted Net Position Change	**25,412**	**34,567**	**36.0%**
Factor % from Statutes	75%	75%	-
Dividend Transfer Available	**19,059**	**25,925**	**36.0%**

Through FY 2016 - Third Quarter

AHFC Dividend Summary	
SOA General Fund Transfers	788,948
SCPB Projects Debt Service	434,866
SOA Capital Projects	253,761
AHFC Capital Projects	479,608
Total Dividend Appropriations	**1,957,184**
Total Dividend Expenditures	**1,908,148**
Total Dividend Remaining	**49,036**

** FY 2015 revised net position at the beginning of the year was due to a $29.1 million cummulative effect of accounting change for the GASB 68 pension liability.*

MORTGAGE ACTIVITY SUMMARY
LOANS PURCHASED BY PROGRAM

LOAN PROGRAM	May 2016		FY 2016 Thru 5/31/2016		FY 2015 Thru 5/31/2015	
	# of Loans	Total Dollar Volume	# of Loans	Total Dollar Volume	# of Loans	Total Dollar Volume
Tax-Exempt First-Time Homebuyer	40	7,082,068	362	65,535,308	399	72,729,374
Taxable First-Time Homebuyer	29	7,715,176	308	78,405,700	337	83,904,986
Veterans Mortgage Program	1	296,235	19	6,838,833	23	6,372,426
Taxable	49	17,483,554	595	182,199,240	525	154,366,610
Non-Conforming	3	820,990	59	16,756,004	37	11,203,760
Rural Loan Program	16	4,361,621	214	52,119,121	212	47,385,105
Residential Loan Program Totals	138	37,759,644	1,557	401,854,206	1,533	375,962,261
Multi-Family	3	1,339,000	44	34,790,850	42	25,295,700
Rural Multi-Family	0	0	4	1,615,200	0	0
Residential & Multi-Family Loan Program Totals	141	39,098,644	1,605	438,260,256	1,575	401,257,961
Streamline Refinance	3	815,173	18	4,023,366	8	1,436,492
Rural Streamline Refinance	4	1,068,900	17	3,164,408	22	4,609,515
Total Loans Purchased	148	40,982,717	1,640	445,448,030	1,605	407,303,968
LOAN PROGRAM OPTIONS (Included in Total Loans Purchased)						
Interest Rate Reduction Low Income Borrowers	8	1,140,575	74	10,203,367	61	9,123,517
Energy Efficiency Interest Rate Reduction	18	5,834,879	152	44,336,081	129	31,895,066
Closing Cost Assistance Program	2	516,344	19	4,835,497	14	2,974,793

RESIDENTIAL PIPELINE 5/31/16

	#	Amount
Lock-ins:	203	52,824,865
Commitments:	291	78,648,031
Total:	494	131,472,896
CCAP Reservation	3	858,873

RESIDENTIAL PIPELINE 4/30/16

	#	Amount
Lock-ins:	174	47,723,271
Commitments:	294	80,333,260
Total:	468	128,056,531
CCAP Reservation	2	516,344

RESIDENTIAL PIPELINE 3/31/16

	#	Amount
Lock-ins:	163	43,434,347
Commitments:	265	79,178,557
Total:	428	122,612,904
CCAP Reservation	1	263,145

MORTGAGE INTEREST RATE COMPARISON - AVERAGE 5/16

AHFC Programs							Market	
Taxable Conv	Exempt FTHB	Exempt VETS	Taxable FTHB	Rural Owner	CCAP	Multi-Family	Conv	FHA
3.786	3.440	3.494	3.661	3.661	4.000	6.125	3.792	3.720

MORTGAGE INTEREST RATE COMPARISON - AVERAGE 4/16

AHFC Programs							Market	
Taxable Conv	Exempt FTHB	Exempt VETS	Taxable FTHB	Rural Owner	CCAP	Multi-Family	Conv	FHA
3.780	3.512	3.565	3.655	3.655	4.018	6.131	3.786	3.750

MORTGAGE INTEREST RATE COMPARISON - AVERAGE 3/16

AHFC Programs							Market	
Taxable Conv	Exempt FTHB	Exempt VETS	Taxable FTHB	Rural Owner	CCAP	Multi-Family	Conv	FHA
3.864	3.608	3.733	3.739	3.739	4.085	6.227	3.955	3.807

Multi-Family Loans Committed 4/15/16 to 6/17/16

Loan Amount	Type	Commitment Date	Program	Location
$ 730,000	12plx	5-4-16	M	Wasilla
$ 458,400	6plx	6-13-16	M	Eagle River
$ 325,000	SFR	6-17-16	N	Anchorage
$ 772,000	12plx	6-17-16	M	Wasilla
$ 808,000	12plx	6-17-16	M	Anchorage

Total: $3,093,400 in 5 loans

M = Multi-family N = Special Needs E = Energy

R2D2 Board Report for June 29, 2016

WEATHERIZATION PROGRAM

Income-based, home energy efficiency improvements provided for homeowners and renters.

Legislative appropriation:[i]

FY2008	$200 million
FY2012	$62.5 million
FY2013	$30 million
FY2014	$30 million
FY2015	$27.5 million
FY2016	$5.6 million
Total	$355.6 million

Program update as of April 30, 2016:

Total expended	$338 million
Units complete	17,964

Projected totals for March 31, 2017:

Current obligation	$354.2 million
Projected units complete	18,237

HOME ENERGY REBATE PROGRAM[ii]

Rebates offered up to $10,000 for homeowners making energy efficiency improvements to existing homes. A rebate of $10,000 for 6 Star or $7,000 for 5 Star Plus is available for newly constructed homes.

Legislative appropriation:

FY2008	$100 million
FY2009	$60 million
FY2012	$37.5 million
FY2013	$20 million
FY2014	$20 million
FY2015	$15 million
Total	$252.5 million

Program update as of 5.18.16:

Total expended[iii]	$214.9m
Current obligation[iv]	$23.1m
Initial ratings	40,567
Rebates paid	24,973
5 star plus paid	3,246
6 star paid	200
Active energy raters	52

Waitlist as of 5.18.16:[v]

Statewide	91
Anchorage	19
Fairbanks	2
Juneau	5

Total Estimated Energy Saved Annually – 3.7 trillion BTUs

(Includes Rebate and Weatherization program completions multiplied by average energy savings)

Equivalent to: (630,507 Barrels of Oil) or (36,569,383 Therms of Gas) or (26,499,553 Gallons of Fuel Oil) or (1,071,787 MWH of Electricity)

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[i] Appropriation amounts reflect state investment only.

[ii] As of December 2, 2015 the average participating homeowner in the Home Energy Rebate program spent $12,012 on efficiency improvements, including energy rating fees. A $6,960 average rebate results in a $5,052 out-of-pocket investment. The projected energy cost savings for homes receiving rebates are $1,464 per year, with an average annual energy savings of 34 percent.

[iii] Total expenditures are as of 5.1.16.

[iv] Current obligation includes funds set aside for homeowners in the Home Energy Rebate program who are making improvements and for encumbrances in the New Home Rebate program.

[v] The waitlist for the rebate programs was suspended on March 25, 2016.

Public Housing Operations Update

June 2016

Public Housing	
Units Statewide	1608
Housing Waiting List	1437
Housing Choice Vouchers	
Vouchers statewide	4381
Voucher Waiting List	2041
jump***start*** **Family Self-Sufficiency**	
Family Self Sufficiency Total Enrolled	361

Operations Updates:

- Visit with Lourdes Castro Ramirez the Principal Deputy Assistant Secretary for HUD, including site visit and roundtable discussion
- Rent reform outcome analysis
    - Percentage of "working" Step families (as defined by the family having some wages) increased from 44.0% in September 2014 to 60.4% in April 2016.
    - Percentage of Step families working at least 20 hours per week at minimum wage increased from 38.3% in September 2014 to 52.4% in April 2016.
    - 584 more Step families were working at least 20 hours per week in January 2016 vs. January 2016.
    - Percentage of Step families working at least 40 hours per week at minimum wage increased from 26.7% in September 2014 to 37.3% in April 2016.
    - Percentage of Step families working at least 60 hours per week at minimum wage increased from 15.6% in September 2014 to 21.8% in April 2016.

Facilities Management & Construction Updates:

- Nome – Maintenance Shop building is now powered and heated, EMT Mechanic spent a week in Nome sealing the vertical seams on the metal siding, coating the exposed beams, and assisting with leveling the building.
- Fairbanks – Golden Ages Sprinkler/Fire Alarm, contractor actively working on the project.
- Juneau –Local Staff is working to complete VCA/ADA upgrades to the Riverbend property,

- Wrangell – Contractor has resumed work and is replacing the last of the authorized sidewalks, coordinator is scheduling inspection with contractor.
- Cordova – Project Siding/Soffit/Window replacement at Sunset View; RFP from Wolverine Supply was accepted and the Notice to Proceed was just recently issued. Construction to commence after the Design portion is complete.
- Anchorage –Scattered site infrastructure repair/replacement project is in progress, contractor is on schedule; Chugach Manor Sprinkler/Fire Alarm upgrade project RFP is being advertised.
- Facilities Management Extraordinary Maintenance Team (Road Crew): Crew is down one Mechanic and will utilize a Temporary Laborer for work in the Anchorage area for the remainder of the summer; work is complete at Chugach View, structural shoring finished and surface soft spots can now be addressed when carpet is replaced; North Lane sidewalk repair has begun; 1525 Boniface Maintenance storage yard improvements are underway; Ptarmigan Park side walk repair project is being developed for work this summer.

AHFC BOARD OF DIRECTORS

SCHEDULE 2016

~~January 27, 2016 (AHFC regular & AHCC Annual)~~ CANCELLED

~~February 24, 2016 (Audit Committee, AHCC (Membership & BOD) Annuals & AHFC Regular)~~

~~April 27, 2016 (AHFC Regular)~~

~~May 25, 2016 (AHFC Regular)~~

June 29, 2016 (Audit Committee & AHFC Regular)

July 27, 2016 BOD (AHFC Regular)

August 24, 2016 (Audit Committee & AHFC Annual)

(NCSHA Annual Conference 9/24 - 9/27, 2016 in Miami, FL.)

October 26, 2016 (AHFC Regular & ACAH Membership & ACAH BOD Annual)

November 30, 2016 (Audit Committee & NTSC Annual & AHFC regular)

Please note that all dates/locations may be subject to change *March 22, 2016*