NEW ISSUES - BOOK ENTRY ONLY Ratings on the 2002 Bonds: (See "Ratings")

In the opinion of Wohlforth, Vassar, Johnson & Brecht, P.C., Bond Counsel, and Kutak Rock LLP, Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the 2002 Bonds (defined below) (i) is excluded from gross income for Federal income tax purposes and (ii) is not treated as a specific preference item to be included in calculating the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended, on individuals and corporations, but such interest is included in calculating the "adjusted current earnings" of certain corporations for purposes of computing the alternative minimum tax. In the opinion of Bond Counsel, under existing laws, interest on the 2002 Bonds is free from taxation by the State of Alaska except for estate and inheritance 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 2002 Bonds. See "Tax Matters."

Alaska Housing FINANCE CORPORATION

$107,710,000
ALASKA HOUSING FINANCE CORPORATION
State Capital Project Bonds
$32,905,000 2002 Series A
$14,555,000 2002 Series B
$60,250,000 2002 Series C

Dated: Date of Delivery

Due: As shown on inside cover page **Price:** As shown on inside cover page

The 2002 Bonds will mature on the dates and in the amounts set forth on the inside cover page.

The 2002 Series A Bonds will bear interest at the rates set forth on the inside cover page, payable on July 1, 2003, and thereafter on each January 1 and July 1.

The 2002 Series B Bonds initially will bear interest at an Auction Rate with a Twenty-Eight Day Auction Mode Period. The 2002 Series C Bonds initially will bear interest at a Weekly Rate. Interest on the 2002 Series B Bonds initially is payable on January 2, 2003, and thereafter on each fourth Thursday (or if such day is not a Business Day, on the next succeeding Business Day). Interest on the 2002 Series C Bonds initially is payable on July 1, 2003, and thereafter on each January 1 and July 1. See "Mode Chart for Variable Rate Bonds" on page (i) for a summary of information relating to Mode Periods and notice and tender requirements relating to the 2002 Series B Bonds and 2002 Series C Bonds. See also "The 2002 Bonds" herein. **THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE THE 2002 SERIES B BONDS AND 2002 SERIES C BONDS SUBSEQUENT TO THEIR CONVERSION TO FIXED RATE BONDS OR INDEXED RATE BONDS.**

The 2002 Bonds initially will be issued in book-entry form only, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the 2002 Bonds. Beneficial Owners (as defined herein) will not receive certificates representing their ownership of the 2002 Bonds. The 2002 Bonds are issuable as fully-registered bonds in denominations of (i) with respect to the 2002 Series A Bonds, $5,000 or any integral multiple thereof, and (ii) with respect to the 2002 Series B Bonds and 2002 Series C Bonds, $100,000 or integral multiples of $5,000 in excess of $100,000. Interest on, principal of, and premium, if any, on the 2002 Bonds are payable by U.S. Bank, N.A., Seattle, Washington, as trustee (and, in the case of the 2002 Series B Bonds and 2002 Series C Bonds, upon tender under circumstances as described herein, by the Remarketing Agent or the Tender Agent, as the case may be, or the Auction Agent with respect to Auction Bonds), to Cede & Co., as nominee of DTC. DTC will in turn make payments to its direct and indirect participants, who will in turn make payments to the Beneficial Owners of the 2002 Bonds. See "The 2002 Bonds — Book Entry Only."

The 2002 Series A Bonds are not subject to redemption prior to maturity.

The 2002 Series B Bonds and 2002 Series C Bonds are subject to redemption prior to maturity at 100% of their principal amount under the circumstances described herein. See "The 2002 Bonds — Redemption Provisions."

2002 Series C Bonds (other than Auction Bonds) subject to optional or mandatory tender for purchase and not remarketed by the Remarketing Agent (as described herein) will be purchased, subject to certain conditions precedent, by the Corporation, pursuant to the terms of a Tender Agreement (as described herein) among the Corporation, U.S. Bank, N.A., as tender agent, and U.S. Bank, N.A., as trustee. Payment by the Corporation of the purchase price of 2002 Series C Bonds (other than Auction Bonds) upon tender and certain conditions described herein is a general obligation of the Corporation, but is not secured by funds and assets pledged under the Indenture to secure the Bonds. See "The Corporation's Obligation to Purchase 2002 Series C Bonds." Any Holder of 2002 Series B Bonds and 2002 Series C Bonds, other than Auction Bonds, has the option of tendering such 2002 Series B Bonds and 2002 Series C Bonds to the Tender Agent in accordance with the provisions of the 2002 Series A/B/C Supplemental Indenture as described under "The 2002 Bonds — Description of the Variable Rate Bonds." Pursuant to the Tender Agreement, the Corporation has the obligation to purchase, under certain conditions and from time to time, 2002 Series C Bonds (other than Auction Bonds) tendered or deemed tendered to the Tender Agent, as described in the "Mode Chart for Variable Rate Bonds" appearing on page (i), which tendered 2002 Series C Bonds are not remarketed.

MBIA

MBIA Insurance Corporation has issued its commitment to insure the payment of the principal of and interest on the 2002 Bonds on regularly scheduled payment dates. Payment of the purchase price of 2002 Bonds tendered or deemed tendered for purchase is not insured. See "The MBIA Insurance Corporation Bond Insurance Policy" and Appendix H — "Form of MBIA Insurance Corporation Bond Insurance Policy."

The Bonds are general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of money in the Corporation's Housing Development Fund. **The 2002 Bonds are not secured by a pledge of any assets or any fund or account *except* the Accounts (other than the Rebate Account) established under the Indenture and the 2002 Series A/B/C Supplemental Indenture. The 2002 Bonds are not secured by the pledge of any mortgage loans.**

THE CORPORATION HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF. THE BONDS ARE GENERAL OBLIGATIONS OF THE CORPORATION AND ARE NOT INSURED OR GUARANTEED BY ANY OTHER GOVERNMENTAL AGENCY.

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.

The 2002 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Wohlforth, Vassar, Johnson & Brecht, P.C., Anchorage, Alaska, Bond Counsel, and to the confirmation of certain tax matters by Wohlforth, Vassar, Johnson & Brecht, P.C. and Kutak Rock LLP, Special Tax Counsel, and to certain other conditions. Certain legal matters will be passed on for the Underwriters by their counsel, Hawkins, Delafield & Wood, New York, New York. It is expected that delivery of the 2002 Bonds will be made to DTC in New York, New York, on or about December 5, 2002.

George K. Baum & Company | **Bear, Stearns & Co. Inc.†**
Lehman Brothers
Salomon Smith Barney | **Merrill Lynch & Co.**

November 15, 2002

† Sole underwriter with respect to the 2002 Series B Bonds and the 2002 Series C Bonds.

MATURITY SCHEDULE

$32,905,000 2002 Series A Bonds

$32,905,000 2002 Series A Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Price or Yield	Maturity Date	Principal Amount	Interest Rate	Price or Yield
July 1, 2003	$3,040,000	3%	1.37%	July 1, 2008	$ 610,000	3 %	100 %
July 1, 2004	1,195,000	3	1.78	July 1, 2008	3,155,000	5	3
July 1, 2004	2,015,000	4	1.78	July 1, 2009	180,000	3⅛	3.20
July 1, 2005	700,000	3	2.10	July 1, 2009	3,770,000	5	3.20
July 1, 2005	2,635,000	4	2.10	July 1, 2010	140,000	3.40	3.47
July 1, 2006	1,100,000	3	2.40	July 1, 2010	4,005,000	5	3.47
July 1, 2006	2,365,000	5	2.40	July 1, 2011	385,000	3½	3.62
July 1, 2007	500,000	3	2.70	July 1, 2011	3,995,000	5	3.62
July 1, 2007	3,115,000	4	2.70				

$14,555,000 2002 Series B Bonds

$14,555,000 2002 Series B Term Bonds due July 1, 2024 @ 100%

Initial Auction Period: Date of Delivery to and including January 1, 2003†

$60,250,000 2002 Series C Bonds

$60,250,000 2002 Series C Term Bonds due July 1, 2022 @ 100%

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†Subsequent to the initial Auction Period, Auction Periods for the 2002 Series B Bonds will be as described under "The Offered Bonds — Auction Bonds" and Appendix E. The interest rate on the 2002 Series B Bonds for each Auction Period will be equal to a rate per annum determined, except as described herein, on the basis of Orders placed in an Auction conducted on the Business Day preceding the commencement of such Auction Period. The interest rate on the 2002 Series B Bonds for any Auction Period may not exceed the maximum interest rate permitted by law. Prospective purchasers of the 2002 Series B Bonds should carefully review the Auction Procedures described herein, including the Appendices hereto, and should note that (i) a Bid or a Sell Order constitutes a commitment to purchase or sell 2002 Series B Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the next Business Day following an Auction. 2002 Series B Bonds may be transferred only pursuant to a Bid or a Sell Order placed in an Auction or to or through a Broker-Dealer or to a person that has delivered a signed Master Purchaser's Letter to the Auction Agent.

MODE CHART FOR VARIABLE RATE BONDS

The 2002 Series B and 2002 Series C Bonds may bear interest in a Daily, Weekly, Monthly, Quarterly, Semiannual or Auction Mode, or be Converted to bear interest at Fixed Interest Rates or an Indexed Rate. Interest on the 2002 Series B and 2002 Series C Bonds will be payable on the dates set forth on the cover page, except that, during an Auction Mode, interest is payable on the Business Day next succeeding the expiration of any Auction Period. The 2002 Series B Bonds initially will bear interest at an Auction Rate with a Twenty-Eight Day Auction Mode Period. The 2002 Series C Bonds initially will bear interest at a Weekly Rate. From time to time, and upon proper notice and certain conditions, the Mode Period may be changed to a new Mode Period, all as more fully described herein. Change to a Daily Mode Period requires confirmation from the Rating Agencies that such change, in and of itself, will not adversely affect the ratings on the Bonds without regard to any bond insurance or other form of credit enhancement that may then be in effect. During each Mode Period, the Variable Rate Bonds shall bear interest at the Effective Rate determined on each Rate Determination Date by the applicable Remarketing Agent, or Auction Agent with respect to Auction Bonds, until the next Effective Rate Date applicable to that Mode Period, or commencement of a new Mode Period, all as more fully described herein. Under certain circumstances, the Variable Rate Bonds (other than Auction Bonds)are subject to mandatory and optional tender for purchase at a price equal to the principal amount thereof plus accrued interest, all as more fully described herein. For additional information on the Variable Rate Bonds see "The 2002 Bonds — Description of the Variable Rate Bonds."

For each Mode Period following the date of delivery of the Variable Rate Bonds, the Rate Determination Date, the Effective Rate Date, the Statement of Effective Rate, the Irrevocable Notice of Tender by Holder to Tender Agent and Tender and Purchase Date, and the Written Mode Change Notice and Mandatory Tender Notice shall be determined in accordance with the following schedule:

	DAILY MODE	WEEKLY MODE	MONTHLY MODE	QUARTERLY MODE	SEMIANNUAL MODE	AUCTION MODE
Rate Determination Date	Each Business Day by 10:00 A.M.†	First Business Day preceding Effective Rate Date by 4:00 P.M.	First Business Day preceding Effective Rate Date by 4:00 P.M.	First Business Day preceding Effective Rate Date by 4:00 P.M.	First Business Day preceding Effective Rate Date by 4:00 P.M.	Auction Rate determined not later than 4:00 P.M. on the Auction Date
Effective Rate Date	Daily	Thursday of each week	First day of each calendar month	March 1, June 1, September 1 and December 1 of each year	June 1 and December 1 of each year	First Business Day of each Auction Period
Statement of Effective Rate	Trustee to provide or cause to be provided to Holder monthly statement of Daily Effective Rates for prior month within 7 Business Days of end of each calendar month	Trustee to provide or cause to be provided to Holder monthly statement of Weekly Effective Rates for prior month within 7 Business Days of end of each calendar month	Trustee to provide or cause to be provided to Holder notice of Effective Rate for each month within 7 Business Days following each Rate Determination Date	Trustee to provide or cause to be provided to Holder notice of Effective Rate within 7 Business Days following the respective Rate Determination Dates	Trustee to provide or cause to be provided to Holder notice of Effective Rate within 7 Business Days following the respective Rate Determination Dates	Broker-Dealer advises Existing and Potential Owner as to Auction Rate determined on Auction Date
Irrevocable Notice of Tender by Holder to Tender Agent†† and Tender and Purchase Date (Within Mode Period)	Notice by Holder to Tender Agent prior to 11:00 A.M. on any Business Day, which day shall also be the Tender and Purchase Date	Notice by Holder to Tender Agent not later than 5:00 P.M. on any Business Day at least 7 days prior to the Tender and Purchase Date, which shall be any Business Day and shall be set forth in the Tender Notice	Notice by Holder to Tender Agent not later than 5:00 P.M. on the Business Day at least 7 days prior to next Effective Rate Date, which date is the Tender and Purchase Date and shall be set forth in the Tender Notice	Notice by Holder to Tender Agent not later than 5:00 P.M. on the Business Day on or immediately prior to 13 days prior to next Effective Rate Date, which date is the Tender and Purchase Date and shall be set forth in the Tender Notice	Notice by Holder to Tender Agent not later than 5:00 P.M. on the Business Day on or immediately prior to 15 days prior to next Effective Rate Date, which date is the Tender and Purchase Date and shall be set forth in the Tender Notice	No optional tender of Bonds in Auction Mode Period (see "Auction Procedures" in Appendix E of this Official Statement)
Written Mode Change Notice; Mandatory Tender Notice	• Corporation to give notice to Notice Parties of Mode Change Date 20 days prior to change to Weekly Mode, and 45 days prior to change to Auction Mode or Monthly or longer Mode • Trustee to give notice to Holders 15 days prior to change to Weekly Mode and 30 days prior to change to Auction Mode or Monthly or longer Mode	• Corporation to give notice to Notice Parties of Mode Change Date 20 days prior to change to Daily Mode, and 45 days prior to change to Auction Mode or Monthly or longer Mode • Trustee to give notice to Holders 15 days prior to change to Daily Mode and 30 days prior to change to Auction Mode or Monthly or longer Mode	• Corporation to give notice to Notice Parties of Mode Change Date 45 days prior to Mode Change Date • Trustee to give notice to Holders 30 days prior to Mode Change Date	• Corporation to give notice to Notice Parties of Mode Change Date 45 days prior to Mode Change Date • Trustee to give notice to Holders 30 days prior to Mode Change Date	• Corporation to give notice to Notice Parties of Mode Change Date 45 days prior to Mode Change Date • Trustee to give notice to Holders 30 days prior to Mode Change Date	• Corporation to give notice to Notice Parties of Mode Change Date at least 30 days prior to Mode Change Date • Trustee to give notice to Holders on or before third Business Day after receipt of Corporation's notice

† All times referred to in this Mode Chart for Variable Rate Bonds are New York City time.

††Notice of Tender to the Tender Agent must be in writing and addressed to: U.S. Bank, N.A., 1420 Fifth Avenue, Seventh Floor, Seattle, Washington 98101. The Tender Agent will provide notice of Tender to the Trustee and the Remarketing Agent.

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No dealer, broker, salesman or other person has been authorized by the Corporation or the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2002 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Corporation and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the 2002 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

In connection with this offering of the 2002 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2002 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time

TABLE OF CONTENTS

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OFFICIAL STATEMENT

OF

ALASKA HOUSING FINANCE CORPORATION

Relating to

$107,710,000 State Capital Project Bonds

$32,905,000 2002 Series A

$14,555,000 2002 Series B

$60,250,000 2002 Series C

INTRODUCTION

FOR CERTAIN DEFINITIONS USED IN THIS OFFICIAL STATEMENT, SEE "THE CORPORATION — CERTAIN DEFINITIONS," "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — CERTAIN DEFINITIONS" AND APPENDIX F — "CERTAIN DEFINITIONS WITH RESPECT TO THE VARIABLE RATE BONDS." Capitalized terms used and not otherwise defined herein have the respective meanings ascribed thereto in the Indenture. All references to days in this Official Statement will mean calendar days *unless* stated otherwise. All references to times in this Official Statement, unless indicated otherwise, shall be to Eastern Time.

This Official Statement (including the cover pages, inside cover pages and appendices) sets forth information in connection with the Corporation's 2002 Bonds. The 2002 Series A and B Bonds are authorized to be issued pursuant the Act, the General Indenture, and the 2002 Series A/B/C Supplemental Indenture. The 2002 Series C Bonds are authorized to be issued pursuant to the 2002 Act, the Act, the General Indenture and the 2002 Series A/B/C Supplemental Indenture. The 2002 Act permits the Corporation to issue bonds to finance certain designated capital projects of the Corporation and the State's Department of Environmental Conservation.

The 2002 Series A Bonds, the 2002 Series B Bonds and the 2002 Series C Bonds are the fourth, fifth and sixth Series of Bonds, respectively, issued under the Indenture. As of August 31, 2002, the Corporation had issued Prior Series Bonds in the aggregate principal amount of $270,880,000, and as of such date there were Prior Series Bonds Outstanding in the aggregate principal amount of $195,550,000. As of August 31, 2002, $170.3 million of Prior Series Bond proceeds had been disbursed for authorized projects. The proceeds of the 2002 Series A and B Bonds will be applied to redeem certain outstanding obligations of the Corporation and to fund the Corporation's capital budget. Approximately 93% of the proceeds of the 2002 Series C Bonds will be used by the Corporation to pay for renovation and deferred maintenance of certain public housing facilities of the Corporation, and approximately 7% of such proceeds will be used by the State for governmental purpose expenditures. Upon the issuance of the 2002 Bonds, the Corporation from its general unrestricted funds will pay costs of issuance and underwriters' fees.

The underwriters listed on the cover page will act as underwriters with respect to the 2002 Series A Bonds. Bear Stearns will act as sole underwriter with respect to the Variable Rate Bonds.

The Insurer has issued its commitment to insure payment of principal of and interest on the 2002 Bonds on regularly scheduled payment dates pursuant to the Policy. The Policy will not insure payment of the purchase price of Variable Rate Bonds tendered or deemed tendered for purchase. See "The MBIA Insurance Corporation Bond Insurance Policy" for a description of the Insurer and the Policy and see Appendix H for a form of the Policy.

The 2002 Series B Bonds initially will bear interest at an Auction Rate with a Twenty-Eight Day Auction Mode Period. During each Auction Mode Period, the 2002 Series B Bonds will not be subject to optional tender by the holders thereof and will not be covered by a Liquidity Facility. The Corporation may elect to cause the 2002 Series B Bonds to change to a Daily Mode (subject to the consent of the Rating Agencies), Weekly Mode, Monthly Mode, Quarterly Mode or Semiannual Mode (change to a Semiannual Mode is subject to the consent of the Insurer, which consent shall not be unreasonably withheld), to change to a different Auction Period or to Convert to Bonds bearing interest at Fixed Interest Rates or an Indexed Rate. With respect to each such change, the 2002 Series B Bonds will be subject to mandatory tender for purchase. Following a change to a Daily Mode, Weekly Mode, Monthly Mode, Quarterly Mode or Semiannual Mode, 2002 Series B Bonds will thereupon also be subject to optional tender by the Bondholders thereof under the circumstances set forth in the 2002 Series A/B/C Supplemental Indenture. **THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE THE 2002 SERIES B BONDS SUBSEQUENT TO THEIR CONVERSION TO FIXED RATE BONDS OR INDEXED RATE BONDS.**

The Bank of New York initially will act as sole Auction Agent with respect to the 2002 Series B Bonds. The Corporation may replace any Auction Agent at any time, and any Auction Agent may resign as such at any time, in each case upon 90 days' notice (in addition, in the event of nonpayment of its fees, the Auction Agent may resign upon 45 days' notice).

The 2002 Series C Bonds initially will bear interest at a Weekly Rate. The Corporation may elect to cause the 2002 Series C Bonds to change to a Daily Mode (subject to the consent of the Rating Agencies), Monthly Mode, Quarterly Mode, Semiannual Mode (change to a Semiannual Mode is subject to the consent of the Insurer, which consent shall not be unreasonably withheld), or Auction Mode or to Convert to Bonds bearing interest at Fixed Interest Rates or an Indexed Rate. With respect to each such change, the 2002 Series C Bonds shall be subject to mandatory tender for purchase. Prior to Conversion, the 2002 Series C Bonds (other than Auction Bonds) also are subject to tender by the Holders thereof under the circumstances set forth in the 2002 Series A/B/C Supplemental Indenture; while in Auction Mode, the 2002 Series C Bonds are not subject to tender by the Holders thereof and will not be covered by a Liquidity Facility. Pursuant to the Initial Liquidity Facility, 2002 Series C Bonds so subject to tender will be purchased by the Corporation on the applicable Tender and Purchase Date (as described on page (i) in the "Mode Chart for Variable Rate Bonds") upon delivery thereof to the Tender Agent, at a purchase price equal to the principal amount thereof, plus accrued interest, if any, thereon to the Tender and Purchase Date. Notice of tender (in the case of an optional tender) and tendered 2002 Series C Bonds are to be delivered to the Tender Agent.

In the event and to the extent that 2002 Series C Bonds are to be tendered to the Tender Agent for purchase under an optional or mandatory tender and in the event that the amount of funds (if any) made available to the Tender Agent from the Remarketing Agent, together with any interest paid to the Tender Agent, is less than the principal amount, plus accrued interest, if any, of the 2002 Series C Bonds to be so tendered, the Corporation is required to deposit with the Tender Agent an amount which, together with any funds made available to the Tender Agent from the Remarketing Agent, will be sufficient to pay the principal amount, plus accrued interest, if any, of such Bonds to be so tendered, all in accordance with the terms of the Initial Liquidity Facility. The Corporation is required to obtain such deposit amounts from any source other than (i) moneys pledged pursuant to the Indenture to secure Bonds, (ii) revenues and assets pledged to the holders of other obligations of the Corporation, and (iii) amounts in the Corporation's Housing Development Fund. The Corporation's obligation to deposit such amount for the purchase of 2002 Series C Bonds under the Initial Liquidity Facility is not a source of payment of principal of and interest on the 2002 Series C Bonds, but is being undertaken solely to provide a source of funds to the Tender Agent with which to discharge its purchase obligation under the circumstances described above. **A failure by the Corporation to purchase 2002 Series C Bonds when and as required by the Initial Liquidity Facility is not an Event of Default under the Indenture.** Nothing herein shall be deemed to limit the Corporation's right under the Indenture to purchase or redeem Bonds, including tendered but unremarketed 2002 Series C Bonds, from eligible moneys pledged pursuant to the Indenture or to limit the Corporation's right to purchase or redeem Bonds, including tendered but unremarketed 2002 Series C Bonds, from any other sources available to the Corporation.

The Corporation may provide an Alternate Liquidity Facility in substitution for the Corporation's obligation to purchase 2002 Series C Bonds pursuant to the Initial Liquidity Facility, and in such event the Initial Liquidity Facility and the Corporation's obligations thereunder will terminate. **A default under an Alternate Liquidity Facility by an Alternate Liquidity Provider is not an Event of Default under the Indenture.** See "The Corporation's Obligation to Purchase 2002 Series C Bonds."

In the event that the Initial Liquidity Facility terminates and is not replaced with an Alternate Liquidity Facility, the 2002 Series C Bonds are subject to mandatory tender and the Corporation may elect to (i) cause the 2002 Series C Bonds to bear interest at an Auction Rate determined in accordance with the Indenture, (ii) Convert the 2002 Series C Bonds to bear interest at Fixed Interest Rates or an Indexed Rate, or (iii) redeem the 2002 Series C Bonds. No Alternate Liquidity Facility will be required in connection with the 2002 Series C Bonds subsequent to the exercise of any of the foregoing options. See "The Corporation's Obligation to Purchase 2002 Series C Bonds." **THIS OFFICIAL STATEMENT IS NOT INTENDED TO**

DESCRIBE THE 2002 SERIES C BONDS SUBSEQUENT TO THEIR CONVERSION TO FIXED RATE BONDS OR INDEXED RATE BONDS.

Bear Stearns initially will act as sole Remarketing Agent with respect to the 2002 Series C Bonds. The Corporation may replace any Remarketing Agent at any time, and any Remarketing Agent may resign as such at any time, in each case upon 30 days' notice. The Corporation may appoint multiple Remarketing Agents.

For certain information with respect to the Variable Rate Bonds, see "Mode Chart for Variable Rate Bonds" on page (i), "The 2002 Bonds — Description of the Variable Rate Bonds," "The 2002 Bonds — Auction Bonds," Appendix E — "Auction Procedures" and Appendix F — "Certain Definitions With Respect to the Variable Rate Bonds."

In connection with the issuance of the Variable Rate Bonds, the Corporation will enter the Swap Agreement with the Counterparty. The purpose of the Swap Agreement is to place the aggregate net obligation of the Corporation with respect to the Variable Rate Bonds on an approximately fixed-rate basis. Payments made to the Counterparty by the Corporation under the Swap Agreement will be paid from available funds of the Corporation and not from Revenues pledged under the Indenture and are not on a parity with the Bonds. Payments made to the Corporation by the Counterparty under the Swap Agreement are not expected to be pledged as Revenues under the Indenture, but if necessary are expected to be used to pay interest on the Variable Rate Bonds.

The 2002 Bonds do not constitute a debt, liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit or taxing power of the State or of any political subdivision thereof. The Bonds are general obligations of the Corporation and are not insured or guaranteed by any other governmental agency. The Corporation has no taxing power. The 2002 Bonds are not secured by a pledge of any assets or any fund or account *except* the Accounts (other than the Rebate Account) established under the Indenture. No mortgage loans will be pledged to the payment of the 2002 Bonds. The primary source of payment for the 2002 Bonds will be the Corporation's general unrestricted funds. See Appendix A, which contains the most recent audited financial statements of the Corporation.

The summaries herein of the 2002 Bonds, the Indenture, the Continuing Disclosure Certificate and other documents and materials are brief outlines of certain provisions contained therein and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act, the Indenture and such other documents and materials for the complete provisions thereof, copies of which will be furnished by the Corporation upon request. See "The Corporation — General" for the Corporation's address and telephone number.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

The 2002 Bonds are general obligations of the Corporation for which its full faith and credit are pledged for the payment of principal of and interest on the 2002 Bonds, *subject to* agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets and the exclusion by the Act of a pledge of funds in the Housing Development Fund. The 2002 Bonds are not secured by a pledge of any assets or any fund or account *except* the Accounts (other than the Rebate Account) established under the Indenture. See the definition of Investment Securities under "Summary of Certain Provisions of the Indenture — Certain Definitions." **No mortgage loans will be pledged to the payment of the 2002 Bonds.** The Corporation may issue additional Bonds under the Indenture without limit as to principal amount for any purpose of the Corporation. The Corporation will determine which provisions of the Indenture will be applicable to such additional Bonds, except that such issuance, in and of itself, shall not result in the ratings then in effect on the Bonds being reduced or withdrawn. The Corporation has issued, and expects to continue to issue, under other indentures other bonds that are general obligations of the Corporation. A significant portion of the assets of the Corporation is pledged to the payment of outstanding obligations of the Corporation. See Appendix A, which contains the most recent audited financial statements of the Corporation, "The Corporation — Activities of the Corporation," "The Corporation — Financing Activity" and "Summary of Certain Provisions of the Indenture — Issuance and Delivery of Bonds."

THE MBIA INSURANCE CORPORATION BOND INSURANCE POLICY

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to Appendix H for a specimen of the Policy.

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Corporation to the Trustee of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 2002 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the 2002 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2002 Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of 2002 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal of or interest on the 2002 Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the 2002 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any owner of a 2002 Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 2002 Bonds or presentment of such other proof of ownership of the 2002 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2002 Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of The Insurer as agent for such owners of the 2002 Bonds in any legal proceeding related to payment of insured amounts on the 2002 Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such 2002 Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and the Insurer set forth under the heading "The MBIA Insurance Corporation Bond Insurance Policy." Additionally, the Insurer makes no representation regarding the 2002 Bonds or the advisability of investing in the 2002 Bonds.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the 2002 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), are available (i) over the Internet at the SEC's web site; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

As of December 31, 2001, the Insurer had admitted assets of $8.5 billion (audited), total liabilities of $5.6 billion (audited), and total capital and surplus of $2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2002, the Insurer had admitted assets of $9.0 billion (unaudited), total liabilities of $5.9 billion (unaudited), and total capital and surplus of $3.1 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's rates the financial strength of the Insurer "Aaa."

S&P rates the financial strength of the Insurer "AAA."

Fitch rates the financial strength of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2002 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2002 Bonds. The Insurer does not guaranty the market price of the 2002 Bonds nor does it guaranty that the ratings on the 2002 Bonds will not be revised or withdrawn.

THE CORPORATION'S OBLIGATION TO PURCHASE 2002 SERIES C BONDS

Pursuant to the Initial Liquidity Facility, the Corporation is required to purchase those 2002 Series C Bonds that are tendered to the Tender Agent but not remarketed by the Remarketing Agent. The Initial Liquidity Facility, and the Corporation's obligation thereunder to purchase Variable Rate Bonds, will expire upon (i) the change of the interest rate on the 2002 Series C Bonds to an Auction Rate, (ii) the conversion of the interest rate on the 2002 Series C Bonds to Fixed Rates or an Indexed Rate, (iii) the provision of an Alternate Liquidity Facility, or (iv) the maturity of the 2002 Series C Bonds, unless terminated as described herein.

In the event that at 10:00 A.M. New York time three Business Days prior to any Tender and Purchase Date during the term of the Initial Liquidity Facility the amount of funds received by the Tender Agent from the Remarketing Agent, together with any interest paid to the Tender Agent, is less than the aggregate principal amount, plus accrued interest, if any, of the 2002 Series C Bonds to be tendered on such Tender and Purchase Date, the Tender Agent shall thereupon notify the Corporation of such event and of the amount (together with any amount of funds to be received by the Tender Agent from the Remarketing Agent on such Tender and Purchase Date and any interest to be paid to the Tender Agent) necessary to pay the aggregate principal amount, plus accrued interest, if any, of the 2002 Series C Bonds to be tendered, and the Corporation shall by 2:30 P.M. New York time on the Tender and Purchase Date deposit such amount with the Tender Agent from moneys not then pledged under the Indenture. Nothing herein shall be deemed to limit the Corporation's right under the Indenture to purchase or redeem Bonds, including tendered but unremarketed 2002 Series C Bonds, from eligible moneys pledged pursuant to the Indenture or to limit the Corporation's right to purchase or redeem Bonds, including tendered but unremarketed 2002 Series C Bonds, from other sources available to the

Corporation. By 4:30 P.M. New York time on such Tender and Purchase Date, the Tender Agent shall apply the amount so deposited, together with any amount of funds made available to the Tender Agent from the Remarketing Agent on such Tender and Purchase Date and any interest paid to the Tender Agent, to the purchase of the 2002 Series C Bonds duly tendered. 2002 Series C Bonds in a principal amount equal to the amount (less any accrued interest) so deposited by the Corporation shall be deemed to have been purchased by the Corporation and shall no longer be Outstanding under the Indenture.

The Corporation's obligation to purchase 2002 Series C Bonds pursuant to the Initial Liquidity Facility is not a source of payment of principal of or interest on the 2002 Series C Bonds. The obligation of the Corporation to deposit moneys with the Tender Agent for the purchase of 2002 Series C Bonds pursuant to the Initial Liquidity Facility is not secured by the funds and assets held under the Indenture. **A failure by the Corporation to purchase 2002 Series C Bonds when and as required by the Initial Liquidity Facility is *not* an Event of Default under the Indenture.** No assurance can be given that moneys will be available to the Corporation to purchase tendered 2002 Series C Bonds. The Corporation may establish lines of credit with external providers which may be used to fund any of its obligations, including its obligation to purchase 2002 Series C Bonds pursuant to the Initial Liquidity Facility, but has not covenanted to establish any such lines of credit.

The terms of the Initial Liquidity Facility require the Corporation to maintain the availability of funds, in an aggregate amount at least equal to the outstanding principal amount of the 2002 Series C Bonds plus accrued interest thereon at the Maximum Rate, from the following sources: (i) investments (valued in a manner that does not adversely affect the then-existing ratings on the 2002 Series C Bonds) that are not pledged under the Indenture or pursuant to other bond indentures of the Corporation if the 2002 Series C Bonds would be an eligible investment for the proceeds of the sale of such investments and if such investment in 2002 Series C Bonds would not result in the cancellation of such 2002 Series C Bonds under then-existing State law and (ii) liquidity or credit facilities with financial institutions or other entities which have short-term ratings which would not adversely affect the then-existing short-term ratings on the 2002 Series C Bonds.

Prior to the change (if any) of the interest rate on the 2002 Series C Bonds to an Auction Rate or the conversion (if any) of the interest rate on the 2002 Series C Bonds to Fixed Rates or an Indexed Rate, the Corporation agrees that it shall maintain its obligation to purchase 2002 Series C Bonds pursuant to the Initial Liquidity Facility or furnish one or more Alternate Liquidity Facilities in substitution for such obligation. The Corporation may replace one Alternate Liquidity Facility with another Alternate Liquidity Facility. Any Alternate Liquidity Facility shall be a facility provided by a commercial bank or other financial institution and shall contain terms which are in all material respects the same as or equivalent to those contained in the Initial Liquidity Facility except for those terms described above relating to the maintenance by the Corporation of the availability of funds. **Further, a default under an Alternate Liquidity Facility by an Alternate Liquidity Provider is not an Event of Default under the Indenture.** The Corporation shall provide notice of furnishing or replacing an Alternate Liquidity Facility to the Rating Agencies (and therein shall request that the Rating Agencies review the then current ratings on the 2002 Series C Bonds) and to the owners of the 2002 Series

C Bonds at least 30 days prior thereto. The 2002 Series C Bonds are subject to mandatory tender for purchase (with no right to retain) in connection with the delivery of an Alternate Liquidity Facility.

On the date on which any Alternate Liquidity Facility is delivered to the Trustee, the Initial Liquidity Facility or predecessor Alternate Liquidity Facility, as applicable, will automatically terminate without any further action.

THE 2002 BONDS

General

The 2002 Bonds will be dated as set forth on the cover page and interest thereon will be payable on the dates set forth on the cover page. The 2002 Bonds will mature on the dates and in the amounts as set forth on the inside cover page.

The 2002 Series A Bonds will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) from their dated date to maturity (or prior redemption) at the applicable rates as set forth on the inside cover page. The 2002 Series A Bonds will be issuable in denominations of $5,000 principal amount and integral multiples thereof.

The Variable Rate Bonds will bear interest from their dated date at the Effective Rate determined by the Remarketing Agent or, with respect to Auction Bonds, by the Auction Agent. The Variable Rate Bonds will bear interest at a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate, or Auction Rate, unless such Variable Rate Bonds are Converted, in which case such Converted Variable Rate Bonds will bear interest at Fixed Interest Rates or an Indexed Rate until their respective maturities or prior redemption. The 2002 Series B Bonds initially will bear interest at an Auction Rate with a Twenty-Eight Day Auction Mode Period. The 2002 Series C Bonds initially will bear interest at a Weekly Rate.

During a Mode Period other than an Auction Mode Period or a Semiannual Mode Period, interest accrued on the Variable Rate Bonds will be computed on the basis of a 365-day year or 366-day year, as applicable, for the number of days actually elapsed. During an Auction Mode Period (other than a Semiannual Auction Mode Period), interest accrued on the Variable Rate Bonds will be computed on the basis of a 360-day year for the number of days actually elapsed and interest for each Semiannual Auction Mode Period will be computed on the basis of a 360-day year consisting of twelve 30-day months. During a Semiannual Mode Period, interest accrued on the Variable Rate Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Variable Rate Bonds will be available in denominations of (i) during any Mode Period other than a Semiannual Mode Period, $100,000 principal amount and integral multiples of $5,000 in excess of $100,000; and (ii) during a Semiannual Mode Period, $5,000 principal amount and integral multiples thereof.

See “Auction Bonds” herein and Appendix E for a more detailed description of Auction Bonds, interest rate determination procedures and other relevant information relating thereto.

Any Holder of Variable Rate Bonds, other than Auction Bonds, has the option of tendering the Bonds to the Tender Agent in accordance with the provisions of the 2002 Series A/B/C Supplemental Indenture as described under “Description of the Variable Rate Bonds” below. Auction Bonds are not subject to tender at the option of the Holders thereof. Pursuant to the Initial Liquidity Facility, the Corporation has the obligation to purchase, under certain conditions and from time to time, 2002 Series C Bonds (other than Auction Bonds) tendered or deemed tendered to the Tender Agent, as described in the “Mode Chart for Variable Rate Bonds” appearing on page (i), which tendered 2002 Series C Bonds are not remarketed.

Reference is hereby made to the “Mode Chart for Variable Rate Bonds” appearing on page (i) for a summary of certain provisions relating to the Variable Rate Bonds, with such provisions more fully described herein. For additional information with respect to the Variable Rate Bonds, see also “Description of the Variable Rate Bonds” below and Appendix F.

No transfer or exchange of any 2002 Bond will be required to be made during the five days preceding any date established by the Trustee for the selection of 2002 Bonds for redemption.

The 2002 Bonds are being issued only as fully registered bonds without coupons, in book-entry form only, registered in the name of Cede & Co., as registered owner and nominee for DTC, which will act as securities depository for the 2002 Bonds. See “Book Entry Only” below.

Redemption Provisions

General

The 2002 Series A Bonds are not subject to redemption prior to maturity.

Sinking Fund Redemption

The 2002 Series B Bonds and the 2002 Series C Bonds are subject to mandatory redemption in part from sinking fund payments at 100% of the principal amount thereof, plus accrued interest, on the respective dates and in the respective principal amounts set forth below:

Sinking Fund Payments

Date	2002 Series B Term Bonds Maturing July 1, 2024	2002 Series C Term Bonds Maturing July 1, 2022
July 1, 2012		$2,295,000
January 1, 2013		2,345,000
July 1, 2013		2,400,000
January 1, 2014		2,450,000
July 1, 2014		2,505,000
January 1, 2015		2,555,000
July 1, 2015		2,610,000
January 1, 2016		2,670,000
July 1, 2016		2,725,000
January 1, 2017		2,785,000
July 1, 2017		2,845,000
January 1, 2018		2,905,000
July 1, 2018		2,970,000
January 1, 2019		3,035,000
July 1, 2019		3,100,000
January 1, 2020		3,165,000
July 1, 2020		3,235,000
January 1, 2021		3,305,000
July 1, 2021		3,375,000
January 1, 2022		3,450,000
July 1, 2022		3,525,000†
January 1, 2023	$3,530,000	
July 1, 2023	3,600,000	
January 1, 2024	3,675,000	
July 1, 2024	3,750,000†	

†Stated Maturity.

Any redemption (other than a mandatory redemption from sinking fund payments) of 2002 Bonds of a particular maturity will be credited against future sinking fund payments for such maturity (i) on a reasonably proportionate basis or (ii) on such other basis as shall be directed by the Corporation.

Optional Redemption

Prior to their Conversion, the Variable Rate Bonds are subject to redemption, on any Effective Rate Date, in whole or in part, of any maturity as directed by the Corporation, at the option of the Corporation, from any source of funds, at 100% of the principal amount thereof, plus accrued interest.

Selection of Bonds for Redemption

The General Indenture provides that if less than all the Bonds of a particular maturity of a Series are to be redeemed, the particular Bonds of such maturity of such Series to be redeemed will be selected by the Trustee by lot, using such method of selection as it deems proper in its discretion.

Notice of Redemption

Notice of the redemption, identifying the 2002 Bonds or portion thereof to be redeemed, will be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid) not more than 60 days and not less than 30 days prior to the redemption date to the registered owner of each 2002 Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Trustee. Pursuant to the Indenture, neither failure to receive any redemption notice nor any defect in such redemption notice shall affect the sufficiency of the proceedings for such redemption and failure by the Trustee to deliver such notice of redemption of the Bonds at the times required in the Indenture shall not impair the ability of the Trustee and the Corporation to effect such redemption.

Description of the Variable Rate Bonds

See Appendix F for the definitions of certain capitalized terms with respect to the Variable Rate Bonds. Reference is also made to the "Mode Chart for Variable Rate Bonds" appearing on page (i) for a description of certain of the terms defined below.

Interest on the Variable Rate Bonds other than Auction Bonds Prior to Conversion

The 2002 Series B Bonds initially will bear interest at an Auction Rate with a Twenty-Eight Day Auction Mode Period. From the date of initial authentication and delivery of the 2002 Series C Bonds to and including the day preceding the next Effective Rate Date, the 2002 Series C Bonds will bear interest at the Weekly Rate determined in advance by the Remarketing Agent. Thereafter, in each case, the Variable Rate Bonds (other than Auction Bonds) will bear interest, commencing on the Effective Rate Date based on the current Mode, at the rate determined by the Remarketing Agent for the new Effective Rate Period. The Variable Rate Bonds that are Auction Bonds will bear interest as described below under "Auction Bonds." In no event shall the interest rate borne by such Variable Rate Bonds exceed the Maximum Rate.

From time to time, by notice to the Notice Parties and as required under the 2002 Series A/B/C Supplemental Indenture, the Corporation may designate a new Mode Period with respect to all or any portion of a Series of the Variable Rate Bonds. Change to a Daily Mode Period requires confirmation from the Rating Agencies that such change, in and of itself, will not adversely affect the then-existing Unenhanced Ratings on the Bonds. During each Mode Period, the Effective Rate will be that rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the Variable Rate Bonds (other than Auction Bonds) on the Effective Rate Date being 100% of the principal amount thereof, and which will not exceed the Maximum Rate.

The Remarketing Agent, in determining the Effective Rate, will take into account to the extent applicable (1) market interest rates for comparable securities held by tax-exempt open-end municipal bond funds or other institutional or private investors with substantial portfolios (a) with interest rate adjustment periods and demand purchase options substantially identical to such Variable Rate Bonds, (b) bearing interest at a variable rate intended to maintain par value, and (c) rated by a national credit rating agency in the same category as such Variable Rate Bonds; (2) other financial market rates and indices that may have a bearing on the Effective Rate (including, but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, the London Interbank Offered Rate (LIBOR), indices maintained by *The Bond Buyer*, and other publicly available tax-exempt interest rate indices); (3) general financial market conditions; and (4) factors particular to the Corporation and such Variable Rate Bonds.

The determination by the Remarketing Agent of the Effective Rate to be borne by the Variable Rate Bonds (other than Auction Bonds) shall be conclusive and binding on the Holders of such Variable Rate Bonds and the other Notice Parties except as provided in the Indenture. Failure by the Remarketing Agent or the Trustee to give any notice required under the Indenture, or any defect in such notice, will not affect the interest rate borne by the Variable Rate Bonds or the rights of the Holders thereof.

If for any reason the position of Remarketing Agent is vacant or the Remarketing Agent fails to act, the Variable Rate Bonds (other than Auction Bonds) will automatically bear interest in a Weekly Mode Period with the interest rate reset on a weekly basis at the lesser of (i) the TBMA Index plus 0.25% or (ii) the Maximum Rate.

Optional Tender

Holders of the Variable Rate Bonds, other than Auction Bonds, may elect to tender such Variable Rate Bonds, which, if so tendered upon proper notice at the times and in the manner set forth in the "Mode Chart for Variable Rate Bonds" appearing on page (i), will be purchased on the next Effective Rate Date (or, in the case of Variable Rate Bonds in a Weekly Mode, on the purchase date specified in the Tender Notice) at a price equal to 100% of the principal amount thereof plus accrued interest. Such notice of optional tender for purchase of Variable Rate Bonds by the Holders thereof will be irrevocable once such notice is given to the Tender Agent, as directed in the 2002 Series A/B/C Supplemental Indenture and described in the "Mode Chart for Variable Rate Bonds" appearing on page (i).

Holders of the Variable Rate Bonds in an Auction Mode Period may not elect to tender their Variable Rate Bonds. The Variable Rate Bonds will be subject to mandatory tender for purchase as described below.

Mandatory Tender

The Variable Rate Bonds are subject to mandatory tender for purchase (with no right to retain) on each Mandatory Tender Date, at a purchase price equal to 100% of the principal amount thereof plus accrued interest. Upon any such event, the Trustee promptly shall deliver a notice of mandatory tender to related Holders stating the reason for the mandatory tender, the date of mandatory tender, and that all Holders of Variable Rate Bonds subject to such mandatory tender will be deemed to have tendered their Variable Rate Bonds upon such date.

On each date on which Variable Rate Bonds are required to be purchased, the Remarketing Agent shall use its best efforts as described herein to sell such Variable Rate Bonds at an Effective Rate that results as nearly as practicable in the price being 100% of the principal amount thereof. In the event that Auction Bonds subject to mandatory tender for purchase are not able to be successfully remarketed, such Bonds will not be subject to mandatory tender nor deemed tendered for purchase, but will remain in Auction Mode and will bear interest as described in clause (c)(v)(iii) in Appendix E — "Auction Procedures — Orders by Existing Owners and Potential Owners." In the event the Remarketing Agent is unable to remarket the 2002 Series C Bonds (other than Auction Bonds) so tendered, the Corporation will purchase such Bonds in accordance with the Initial Liquidity Facility. See "The Corporation's Obligation to Purchase 2002 Series C Bonds."

This paragraph is applicable only if the book-entry system has been discontinued and replacement bonds have been issued or if DTC has exercised its option to surrender and exchange its Variable Rate Bond certificates. Any Untendered Bonds, for which there have been irrevocably deposited in trust with the Trustee the purchase price equal to the principal amount of such Variable Rate Bonds plus accrued interest shall be deemed to have been tendered and purchased on such Mandatory Tender Date. Holders of Untendered Bonds shall not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of such Untendered Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and said Holders shall no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price. Bond certificates will be issued in place of Untendered Bonds pursuant to the Indenture and, after the issuance of the replacement Variable Rate Bond certificates, such Untendered Bonds will be deemed purchased, canceled, and no longer Outstanding under the Indenture.

Conversion to Fixed Interest Rates or an Indexed Rate

The 2002 Series A/B/C Supplemental Indenture provides that the Corporation has the option to Convert all or a portion of the Variable Rate Bonds on any Effective Rate Date to Fixed Interest Rates or an Indexed Rate, in accordance with the Indenture and as described herein. Prior and as a condition to the Conversion of any of the Variable Rate Bonds, the Trustee must deliver a notice to the Holders thereof specifying the Conversion Date, which date shall be not less than 30 days following the receipt of such notice. No Fixed Interest Rates or Indexed Rate shall be established with respect to the Variable Rate Bonds unless, on or before the Rate Determination Date therefor, a Counsel's Opinion has been delivered to the Trustee to the effect that such Conversion to Fixed Interest Rates or an Indexed Rate, in and of itself, will not adversely affect the exclusion of interest on the 2002 Bonds from gross income for federal income tax purposes. If less than all of the Auction Bonds of a Series are to be Converted, no such partial conversion shall cause the outstanding principal amount of such Auction Bonds to be less than $10,000,000 without the approval of the Broker-Dealers and any remaining Auction Bonds shall be in integral multiples of $100,000. Unless and until such conditions for Conversion are satisfied, the Variable Rate Bonds shall continue to bear interest at the Effective Rate, subject to the last sentence of this paragraph. Upon any Conversion to Fixed Interest Rates or an Indexed Rate, the Variable Rate Bonds will be subject to mandatory tender for purchase;

provided that, if any Auction Bond proposed to be Converted to Fixed Interest Rates or an Indexed Rate is not successfully remarketed, all Auction Bonds proposed to be so Converted will not be subject to mandatory tender nor deemed tendered for purchase, will remain in Auction Mode, and will bear interest as described in clause (c)(v)(iii) in Appendix E — "Auction Procedures — Orders by Existing Owners and Potential Owners".

Auction Bonds

The 2002 Series B Bonds initially will bear interest at an Auction Rate with a Twenty-Eight Day Auction Mode Period. The following contains certain information pertaining to Auction Procedures and certain other matters. It does not purport to be complete and is qualified in its entirety by reference to the Auction Procedures and related matters set forth in Appendix E.

Interest

Auction Bonds will bear interest for each Auction Period at the applicable Auction Rate. The Auction Rate applicable to the Auction Bonds will equal the Auction Rate determined for each Auction Period for such Bonds in accordance with the Auction Procedures as described in Appendix E.

Each Seven Day Auction Mode Period generally begins on a Thursday and ends on the next Wednesday. Each Twenty-Eight Day Auction Mode Period and Thirty-Five Day Auction Mode Period generally begins on a Thursday and ends on the fourth or fifth Wednesday, respectively, thereafter. Each Semiannual Auction Mode Period generally begins on the day following the last day of the prior Auction Period and ends on the next succeeding May 31 or November 30. The Auction Periods may change as provided in the 2002 Series A/B/C Supplemental Indenture. Interest for each Seven Day, Twenty-Eight Day, and Thirty-Five Day Auction Mode Period will be computed on the basis of a 360-day year for the number of days actually elapsed. Interest for each Semiannual Auction Period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Notwithstanding the foregoing provisions, (i) if the Auction Agent fails to determine the Auction Rate for any Auction Period (including the circumstance where there is no Auction Agent or Broker-Dealer), the Auction Rate for such Auction Period shall be the No Auction Rate determined for such Auction Period; (ii) if a failure to pay principal, interest, or premium on any Auction Bond when due occurs, the Auction Rate for the Auction Period during which such failure occurs and each Auction Period thereafter commencing prior to the date on which such failure ceases to be continuing shall be the Default Rate for such Auction Period; and (iii) in the event of a failed conversion to another Auction Rate or to another Mode or to Fixed Interest Rates or an Indexed Rate, the Auction Bonds will automatically convert to Auction Bonds with a Seven Day Auction Mode Period and bear interest at the Maximum Rate for the next Auction Period.

Auction Agent

The Trustee will enter into the Auction Agreement with an Auction Agent, who, as agent for the Corporation, shall perform the duties of Auction Agent. The Auction Agreement will provide, among other things, that the Auction Agent will determine the Auction Rate for each Auction in accordance with the Auction Procedures.

Auction Date

An Auction to determine the interest rate with respect to the Auction Bonds for the next succeeding Auction Period generally will be held on the Business Day next preceding such Auction Period. See the definition of Auction Date in Appendix F.

Master Purchaser's Letters

As a condition to purchasing Auction Bonds, in any Auction or otherwise, each prospective purchaser of Auction Bonds may be required to sign and deliver to a Broker-Dealer (who will deliver copies thereof to the Auction Agent) a Master Purchaser's Letter in the form included in Appendix G.

Each prospective purchaser of Auction Bonds should ask its Broker-Dealer whether such prospective purchaser should sign a Master Purchaser's Letter. If the Broker-Dealer submits Orders for such prospective purchaser listing the Broker-Dealer as the Existing Owner or the Potential Owner, a Master Purchaser's Letter signed by such prospective purchaser may not be required.

THE FORM OF THE MASTER PURCHASER'S LETTER IS INCLUDED IN THIS OFFICIAL STATEMENT AS APPENDIX G. EXECUTION BY A PROSPECTIVE PURCHASER OR ITS BROKER-DEALER OF A MASTER PURCHASER'S LETTER IS NOT A COMMITMENT TO PURCHASE AUCTION BONDS IN THE OFFERING BEING MADE HEREBY OR IN ANY AUCTION, BUT MAY BE A CONDITION PRECEDENT TO PURCHASING AUCTION BONDS.

Orders by Existing Owners and Potential Owners

The procedure for submitting orders prior to the Submission Deadline on each Auction Date is described in Appendix E, as are the particulars with regard to the determination of the Auction Rate and the allocation of Auction Bonds.

Amendment of Auction Procedures

The provisions of the 2002 Series A/B/C Supplemental Indenture concerning the Auction Procedures, including without limitation the definitions of Default Rate, Maximum Rate (as it relates to Auction Bonds), Minimum Rate, Auction Index, Auction Multiple, and Auction Rate, may be amended by obtaining the consent of the Insurer and the beneficial owners of all Auction Bonds affected by such amendment. If on the first Auction Date occurring at least 20 days after the date on which the Auction Agent mailed notice to the registered owners of the Auction Bonds affected by such amendment, Sufficient Clearing Bids have been received or all of the Auction Bonds affected by such amendment are subject to Submitted Hold Orders, the proposed amendment shall be deemed to have been consented to by the beneficial owners of all Auction Bonds affected by such amendment.

Changes to the Auction Period and the Auction Date do not require the amendment of the Auction Procedures or any consents.

Conversion of Auction Bonds

The Trustee at the request of the Corporation may direct that all or a portion of the Auction Bonds be converted to bear interest in a different Mode or at Fixed Interest Rates or an Indexed Rate; provided that the aggregate principal amount of any Auction Bonds not so converted is a multiple of $100,000; and provided, further, that no such partial conversion shall cause the outstanding principal amount of any Auction Bonds of a Series to be less than $10,000,000 without the approval of the Broker-Dealer. On the conversion date applicable to the Auction Bonds to be converted, the Auction Bonds to be converted will be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, subject to and in accordance with the Indenture; provided, however, that in the event of a failed conversion, the Auction Bonds will not be subject to mandatory tender, will be returned to their owners, will automatically convert to an Auction Period in the Seven Day Auction Mode Period and will bear interest at the Maximum Rate for the next Auction Period.

Mandatory Tender for Purchase of Auction Bonds

On the conversion date for any Auction Bonds selected for conversion from one Auction Mode Period to another Auction Mode Period or from an Auction Mode Period to any other Mode Period or to Fixed Interest Rates or an Indexed Rate, all such Auction Bonds then Outstanding will be subject to mandatory tender for purchase at a purchase price equal to the principal amount of such Auction Bonds plus accrued interest. Auction Bonds to be tendered for purchase are required to be delivered by the owners thereof to the Trustee (together with necessary assignments and endorsements) on or prior to the conversion date applicable to such Auction Bonds.

Any Untendered Auction Bonds, for which moneys have been irrevocably deposited in trust with the Trustee, will be deemed to have been delivered for purchase to the Trustee, and the owners of such Untendered Auction Bonds will not be entitled to any benefits of the Bonds other than the payment of the purchase price, and interest will cease to accrue on such Untendered Auction Bonds as of the conversion date.

Special Considerations for Purchasers of Auction Bonds

The ability of any holder of Auction Bonds to sell such Auction Bonds in any auction is directly contingent upon the Auction Agent's receipt of Sufficient Clearing Bids. If Sufficient Clearing Bids are not received, Submitted Orders will be accepted or rejected as summarized in Appendix E under the heading "Allocation of Auction Bonds." The obligation of the Corporation to purchase 2002 Series C Bonds under the Initial Liquidity Facility does not apply to Auction Bonds.

The Bond provisions concerning the Auction Procedures and related definitions may be amended by obtaining the consent of the Insurer and the beneficial owners of all Auction Bonds affected by such amendment. The consent of the Insurer and the beneficial owners affected by such amendment may be deemed to have been given under certain circumstances. See "Auction

Bonds — Amendment of Auction Procedures" herein, and "Miscellaneous Provisions" in Appendix E.

The Auction Agent may resign from its duties as Auction Agent by giving at least 90 days' notice, or 45 days' notice if it has not been paid, to each Broker-Dealer, the Corporation, the Insurer and the Trustee. The Broker-Dealer Agreement will provide that the Broker-Dealer thereunder may resign upon five Business Days' notice or immediately, in certain circumstances, and will not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, it will not be possible to hold Auctions, with the result that the interest rate on the Auction Bonds will be the No Auction Rate.

The beneficial owner of any Auction Bonds may sell, transfer, or dispose of Auction Bonds only pursuant to a Bid or Sell Order placed in an Auction or through a Broker-Dealer who advises the Auction Agent of such transfer.

The Broker-Dealer Agreements will provide that a Broker-Dealer may submit Orders in Auctions for its own account. If a Broker-Dealer submits an Order for its own account in any Auction, it might have an advantage over other Bidders in that it would have knowledge of Orders placed through it in that Auction; such Broker-Dealer, however, would not have knowledge of Orders submitted by other Broker-Dealers (if any) in that Auction. In the Broker-Dealer Agreements, the Broker-Dealers will agree to handle customer orders in accordance with their respective duties under applicable securities laws and rules.

Book Entry Only

General

The 2002 Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the 2002 Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the 2002 Bonds are immobilized in the custody of DTC, references to holders or owners of 2002 Bonds (*except* under "Tax Matters") mean DTC or its nominee.

The information in this section concerning DTC and the DTC book-entry system has been obtained from DTC, and neither the Corporation nor the Underwriters take responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the 2002 Bonds. The 2002 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 2002 Bond certificate will be issued for each maturity of each Series 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 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 S&P's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of 2002 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2002 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2002 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 2002 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 2002 Bonds, except in the event that use of the book-entry system for the 2002 Bonds is discontinued.

To facilitate subsequent transfers, all 2002 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede, or such other name as may be requested by an authorized representative of DTC. The deposit of 2002 Bonds with DTC and their registration in the name of Cede or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2002 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2002 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 2002 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2002 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of 2002 Bonds may wish to ascertain that the nominee holding the 2002 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of a maturity of a Series of the 2002 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 (nor such other DTC nominee) will consent or vote with respect to the 2002 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 2002 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and purchase price of and interest on the 2002 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, purchase price and interest to Cede (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 2002 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 2002 BONDS, ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OR PARTIAL TENDER AND PURCHASE OF THE 2002 BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

DTC may discontinue providing its services as securities depository with respect to the 2002 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, 2002 Bond certificates are required to be printed and delivered as described in the Indenture.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2002 Bond certificates will be required to be printed and delivered as described in the Indenture.

If bond certificates are issued, the principal and interest due upon maturity or redemption of any of the 2002 Bonds will be payable at the office of the Trustee, as paying agent, upon presentation and surrender of such 2002 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 2002 Bond (prior to the maturity or earlier redemption thereof) will be made by the Trustee to the registered owner of such 2002 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 the 2002 Bonds.

If bond certificates are issued, the 2002 Bonds may be transferred and exchanged by the registered owner thereof or the registered owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or the registered owner's duly authorized attorney at the office of the Trustee in Seattle, Washington. For every such exchange or transfer the Corporation or the Trustee may charge the transferee to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee is not obligated to make any such transfer or exchange during the 10 days next preceding the mailing of notice of any proposed redemption of any 2002 Bond, nor of any 2002 Bond so selected for redemption, nor 10 days prior to an Interest Payment Date. If any 2002 Bond is mutilated, lost, stolen or destroyed, the Trustee may execute and deliver a new 2002 Bond or 2002 Bonds of the same interest rate, maturity and principal amount as the 2002 Bond or 2002 Bonds so mutilated, lost, stolen or destroyed, provided that such 2002 Bond is surrendered to the Trustee, or evidence of loss, destruction or theft, together with satisfactory indemnity, is provided to the Trustee. The fees and expenses of the Corporation and the Trustee in connection with such replacement shall be paid by the owner.

THE CORPORATION

Certain Definitions

"Authority" means the Alaska State Housing Authority.

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

"Committee" means the Legislative Budget and Audit Committee.

"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.

“Financial Plan” means the Corporation’s internally prepared financial operating plan which compared projected financial requirements with anticipated financial resources,

“HALF” means the Housing Assistance Loan Fund.

“HOAP Program” means the Corporation’s Home Owners Assistance Program.

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

“LB&A” means Legislative Budget and Audit.

“MSA” means the Master Settlement Agreement entered into by participating cigarette manufacturers, 46 states and six other U.S. jurisdictions in November 1998 in settlement of certain smoking-related litigation.

“1995 Report” means the LB&A report dated February 9, 1995.

“1997 Self-Liquidity Bonds” means the Corporation’s $33,000,000 Governmental Purpose Bonds (University of Alaska), 1997 Series A.

“1998 Act” means the legislation described in the second paragraph under the caption “The Transfer Plan.”

“1999 Report” means the LB&A report dated February 23, 2000.

“NTSC” means the Northern Tobacco Securitization Corporation.

“REO” means real estate owned.

“Self-Liquidity Bonds” means the 1997 Self-Liquidity Bonds, the Self-Liquidity Bonds, and the Self-Liquidity Bonds.

“Series 2000 Tobacco Bonds” means NTSC’s Tobacco Settlement Asset-Backed Bonds, Series 2000.

“Series 2001 Tobacco Bonds” means NTSC’s Tobacco Settlement Asset-Backed Bonds, Series 2001.

"SMIF" means the State Mortgage Insurance Fund.

“Tobacco General Indenture” means the Indenture, dated October 1, 2000, between NTSC and U.S. Bank, N.A., Seattle, Washington, as indenture trustee.

“Transfer Plan” means the capital appropriation bill and agreement between the Corporation and the State described in the first paragraph under the caption “The Transfer Plan.”

“2000 Act” means the legislation described in the third paragraph under the caption “The Transfer Plan.”

“2000 Self-Liquidity Bonds” means the Corporation’s $62,450,000 Housing Development Bonds, 2000 Series A and B.

“2001 Self-Liquidity Bonds” means the Corporation’s $370,170,000 Governmental Purpose Bonds, 2001 Series A, B, C and D.

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 in the State. The Corporation’s programs were originally established to take advantage of tax-exempt financing permitted under Federal income tax law. Mortgages which meet applicable Federal income tax requirements are financed by selling tax-exempt bonds. All other mortgages generally are financed through the issuance of taxable bonds or from internal funds. A substantial portion of the Corporation’s mortgage purchase activities were funded in the taxable debt markets, including issuance of taxable bonds and the sale of securities in the Eurodollar market. Since 1972, the Corporation has acquired, by appropriation from the State and by purchase from approximately 48 independent originating lending institutions operating throughout the State, a portfolio of mortgage loans which, at August 31, 2002, aggregated 30,164 mortgages and loans (including mobile homes) having an unamortized principal balance of approximately $3.4 billion. 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 bond issues, market characteristics of the Corporation’s REO properties and a review of certain seller/servicer activity, and the outstanding bonds and notes of the Corporation, including mandatory and special redemptions and mortgage loan pool and prepayment statistics and rates. The Corporation presently intends to continue to provide such information, but is not legally obligated to do so. Certain financial and statistical information relating to the Corporation and its programs under this heading “The Corporation” was obtained from the audited financial statements of the Corporation dated June 30, 2002. Certain additional financial and statistical information relating to the Corporation and its programs under this heading “The Corporation” was obtained from the August 2002 Mortgage and Bond Disclosure Report. Copies of such financial statements and disclosure reports 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 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: 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**
Ms. Jewel Jones Chair	Director, Health and Human Services Department Municipality of Anchorage Anchorage, Alaska
Mr. Robert Grove Vice-Chair	Operations Manager, University of Alaska-Fairbanks Geophysical Institute Ester, Alaska
Mr. Marty Shuravloff	Executive Director, Kodiak Island Housing Authority Kodiak, Alaska
Mr. Wilson Condon	Commissioner, Department of Revenue State of Alaska Juneau, Alaska
Mr. Jay Livey	Commissioner, Department of Health and Social Services, State of Alaska Juneau, Alaska
Ms. Deborah Sedwick	Commissioner, Department of Community and Economic Development, State of Alaska Anchorage, Alaska
Mr. Michael Cook	Certified Public Accountant Fairbanks, Alaska

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

As of August 31, 2002, the Corporation's staff consists of approximately 317 employees organized into 10 departments: Administrative Services, Mortgage Operations, Public Housing Division, Finance and Accounting, Planning and Program Development, Audit, Corporate Communications, Budget, Personnel, and Research and Rural Development Division. The principal officers and staff are as follows:

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

Judith DeSpain - Deputy Executive Director. Ms. DeSpain has been with the Corporation since February 1980, serving in all areas of administration. Ms. DeSpain is responsible for various program operations including loan servicing, mortgage operations, public housing operations, planning and program development and rural research and development.

Michael Buller - Chief Administrative Officer. Mr. Buller joined the Corporation in June of 1995. Mr. Buller is responsible for administrative services, personnel, audit, budget, and finance and accounting. He previously worked for the North Slope Borough from 1987 through 1993 as Budget Manager and Deputy Director of the Department of Administration & Finance. From August 1993 through June 1995, Mr. Buller was employed as Assistant City Manager for the City of Unalaska. Mr. Buller holds a master's degree in business administration from Gonzaga University.

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

Barbara Baker - Director, Planning and Program Development Department. This department is responsible for the Corporation's program planning, grant writing and fund development. In addition, this department administers the Low Income Housing Tax Credit Program and all grant programs other than the Supplemental Housing Grant Program. Ms. Baker worked at the Authority, prior to its merger with the Corporation, for four years as Director of Construction and Development. Ms. Baker has been in state government service since 1979, has held other management positions and has served as an economist with the Alaska Department of Labor. Ms. Baker holds a Bachelor of Arts degree in urban and regional planning from Western Washington University.

Anthony C. Berdahl - Senior Finance Officer. Mr. Berdahl has been with the Corporation since 1989, previously serving the Corporation as an Accountant III and Financial Analyst II. Mr. Berdahl is a certified public accountant and holds a master's degree in accounting from the University of North Dakota.

Robert L. Brean - Director, Research and Rural Development Division. Mr. Brean served previously as Deputy Commissioner of the Department of Community and Regional Affairs. He was with the Department, with the exception of two years, since 1983. Born in the village of Tanacross, Alaska, he has served as President of the Village Corporation for 22 years. A shareholder of Doyon Inc., Mr. Brean holds a degree in cultural anthropology/sociology from Alaska Methodist University.

Nola Cedergreen - Administrative Services Director. In her present capacity, Ms. Cedergreen is responsible for risk management, procurement, record management, and management information systems. From December 1987 until July 1992, she managed Alaskan Home Properties, the Corporation's real estate owned division. Her previous experience includes 12 years of real estate sales and management, working for both private and institutional owners. Ms. Cedergreen holds a Bachelor of Arts degree in organizational management from Alaska Pacific University.

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

Paul M. Kapansky - Mortgage Operations Director. Mr. Kapansky joined the Corporation in July 1988 and served as Servicing Operations Director until July 1990; subsequently, he served as Mortgage Insurance Operations Director until August 1991 and as Mortgage Project Officer until November 1999. He had previously held a variety of positions with several Alaska financial institutions over a period of 18 years, including five years as a Vice President and seven years as a President. Mr. Kapansky holds a master's degree in business administration from the University of Alaska, Anchorage, and graduated with a Bachelor of Science degree in business administration from the University of Hartford.

Michael L. Strand - Financial Analyst II. Mr. Strand joined the Corporation in April 2001. He previously served for one year as Budget Analyst in Anchorage for Municipal Light and Power and for three years as Financial Analyst for VECO Alaska. Mr. Strand is a graduate of the University of Alaska, Anchorage, with a Bachelor of Arts degree in business administration.

Robert K. Tune - Internal Auditor. Mr. Tune has been with the Corporation since March 1993, serving as Assistant Auditor and now as the Internal Auditor. Mr. Tune was an Internal Review Specialist and System Administrator/Asset Servicing Officer with the Federal Deposit Insurance Corporation from July 1990 to March 1993. Mr. Tune is a graduate of Lewis and Clark College, Portland, Oregon, with a Bachelor of Science degree in business administration.

Wesley J. Weir - Director, Public Housing Division. Mr. Weir assumed his current duties in April of 1995. He previously served for two years as Program Manager for the North Slope Borough with primary responsibility for planning and design of water/sewer systems, health facilities and housing. Prior to that time he was employed by the State of Alaska for sixteen years, holding a variety of positions with responsibilities that included planning, design administration, construction administration, and maintenance and operations of State facilities. Mr. Weir holds a master's degree from Alaska Pacific University.

Activities of the Corporation

General

General. The principal activity of the Corporation is the purchase of residential mortgage loans. 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 generally continues to service the mortgage loan on behalf of the Corporation. 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."

Public Housing Programs. The Corporation performs certain public housing functions in the State. The Public Housing Division of the Corporation (the "Division") operates 1,705 units of Low Rent and Section 8 New Construction/Additional Assistance housing to serve low-income families, disabled persons and seniors in 14 Alaskan communities. The Division also administers the rent subsidies for approximately 2,720 families located in private-sector housing through vouchers, certificates, and coupons issued pursuant to Section 8 of the National Housing Act. 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.

Lending

Loans to Sponsors Program. Under this program, the Corporation lends funds to a sponsor who in turn re-lends the monies to its borrowers (recipients) under terms and conditions approved by the Corporation. Eligible sponsors are non-profits, regional housing authorities, agencies of the State, or municipalities in the State. The sponsor's recipients are individuals or families whose income does not exceed 90% of the median income for the area. Loan funds may be used to provide housing loans or loans to improve the quality of housing. Seven loan commitments totaling approximately $34.0 million have been approved since the program's implementation in 1993.

Single Family Housing Programs. Of the Corporation's previous large subsidized mortgage loan programs, only a mortgage interest rate subsidy program for low-to-moderate income Alaskans remains. The interest rate subsidy is provided to such low-to-moderate income Alaskans on the first $50,000 of their eligible mortgage loans.

Rural Housing Programs. The Mortgage Operations Department administers a broad array of programs, including a principal program that relates to the administration of the HALF. The interest rate on the loans under this program is one percent below the rate established for the Corporation's taxable bond program. The HALF is used to acquire loans made in small communities throughout the state. As of August 31, 2002, 7,521 mortgage loans had been purchased under this program, with unamortized principal balances as of such date aggregating approximately $592.4 million.

Mortgage Loan Restructuring Programs. The Corporation has accomplished several large mortgage restructuring programs since 1987. The most recent of these programs, the Streamlined Refinance Program, started in March 1998 and allows applicants to obtain new financing secured by property that is currently financed by the Corporation without income, credit, or appraisal qualifications. Although current owner-occupancy is not required, the original loan must have been made to an owner-occupant and may have been a first or second lien, conforming or nonconforming. These loans may be insured conventionally or through FHA or guaranteed by the VA. As of August 31, 2002, the Streamlined Refinance Program included mortgage loans with an aggregate outstanding principal balance of $109.4 million.

Senior Housing Revolving Loan Program. The State established the Senior Housing Office and Senior Housing Revolving Loan Program within the Department in 1991. In July of 1992, the Senior Housing Office and Revolving Loan Program were both transferred to the Corporation in connection with the merger between the Corporation and the Authority.

Affordable Homeownership Guaranteed Loan Program. The Affordable Homeownership Guaranteed Loan Program was designed to promote homeownership opportunities for low-to-moderate income borrowers by providing 5% interest rates. Loans under this program must be insured or guaranteed by FHA, FmHA (for loans in areas defined as small communities only) or the VA. The Corporation set aside $11,500,000 for loans in small communities and $103,500,000 for loans in other communities from funds related to the General Mortgage Revenue Bonds Program. The Corporation purchased 51 loans with an original principal balance of $5,384,625 in small communities and 858 loans with an original principal balance of $87,245,034 in the other communities. This program has been superseded by a further low interest rate loan program for low-to-moderate income borrowers as described below under "The Corporation — Activities of the Corporation — Bond Financed Programs — Interest Rate Reduction for Low Income Borrower Program."

Bond Financed Programs

Tax-Exempt First Time Homebuyer Program. The Corporation operates a Tax-Exempt First Time Homebuyer Program funded with the proceeds of Mortgage Revenue Bonds. Under this program, first mortgage loans which meet the requirements of the Code are purchased by the Corporation from qualifying originating lending institutions located throughout the State. Mortgage loans may be exchanged for mortgage-backed securities issued by GNMA, FNMA, and FHLMC. The mortgage loans and/or mortgage-backed securities are pledged to collateralize obligations of the Corporation. The Corporation purchased 183 mortgage loans under the Tax-Exempt First Time Homebuyer Program during the two months ended August 31, 2002, with an approximate original principal balance of $19.8 million.

Taxable First Time Homebuyer Program. The Corporation began a Taxable First Time Homebuyer Program to address higher costs of housing in certain areas of the State. The program provides financing to first time homebuyers who do not meet the purchase price and income limits under the Tax-Exempt First Time Homebuyer Program. This program has been funded with a variety of sources, and since its inception in 1999, the program has generated approximately $519.9 million in loan activity.

Multifamily, Special Needs, and Congregate Housing Program. During 1991, the Corporation implemented a program of financing multifamily housing. It was subsequently modified to include special-needs and congregate facilities. The Corporation has issued fifteen series of bonds totaling $213,080,000 in principal amount to finance loans under this program. The program is designed to provide traditional multifamily housing; transitional housing; and housing for the elderly, the developmentally disabled, and the homeless. A project may qualify for financing if it provides housing for persons of lower to moderate income or if it is located in a remote, under-developed or blighted area of the State and meets other requirements of the Corporation.

Veterans Mortgage Program. The Corporation operates a Veterans Mortgage Program under which first mortgage loans made to veterans meeting certain Federal requirements are purchased by the Corporation from qualifying originating lending institutions located throughout the State. Mortgage loans may be exchanged for mortgage-backed securities issued by GNMA, FNMA and FHLMC. The mortgage loans and/or mortgage-backed securities are pledged to collateralize tax-exempt obligations of the Corporation. Since 1983, the Corporation has issued $2,152,500,000 principal amount of State-guaranteed Veterans Bonds, of which $431,980,000 principal amount was outstanding as of August 31, 2002. The Corporation purchased 45 mortgage loans under the Veterans Mortgage Program during the two months ended August 31, 2002, with an approximate original principal balance of $8.4 million.

Governmental Purpose Bonds. As of August 31, 2002, the Corporation has issued approximately $973.2 million principal amount of Governmental Purpose Bonds primarily to finance certain capital expenditures of the State for governmental purposes, with certain proceeds available for general corporate purposes.

State Capital Project Bonds. As of August 31, 2002, the Corporation has issued $270,880,000 principal amount of State Capital Project Bonds. These bonds were issued pursuant to the 1998 Act and the 2000 Act, which authorize the issuance of approximately $300,000,000 in bonds to finance designated capital projects of State agencies and instrumentalities. The authorization to issue bonds under the 1998 Act and the 2000 Act expires July 1, 2006. As of August 31, 2002, $170.3 million of bond proceeds had been disbursed for authorized projects.

State Building Lease Bonds. In 1999, the Corporation issued $40,000,000 principal amount of bonds to finance the purchase of an office building in downtown Anchorage, Alaska. These bonds are primarily secured by an assignment of the payments on an Agreement of Lease between the Corporation and the State.

Refinancing Activity. The proceeds from bond and note issues, combined with contributions from unrestricted funds of the Corporation, provide funding for the Corporation's mortgage purchase and mortgage refinancing activities. Since 1986, implementation of refinancing programs by the Corporation has resulted in the prepayment of outstanding mortgage loans (including mortgage loans represented by mortgage certificates) with a corresponding redemption at par of substantial amounts of the Corporation's notes or bonds secured by such mortgage loans (or mortgage certificates).

Interest Rate Reduction for Low Income Borrower Program. Effective July 1, 2001, this program provides an interest rate reduction to borrowers whose income is below 80% of area median income as established by HUD. An interest rate reduction of 0.5% is available to borrowers whose income is at least 60% but less than 80% of area median income; and an interest rate reduction of 1% is available to borrowers whose income is less than 60% of area median income. The interest rate reduction applies only to the first $180,000 of the loan. In general, this program is funded by means of zero percent interest rate participations in mortgage loans financed with proceeds of the Corporation's General Mortgage Revenue Bonds or with the Corporation's general unrestricted funds. Applicants generally must be first-time homebuyers, with some exceptions permitted based on the borrower's age and other factors. As of August 31, 2002, the Corporation, through this program, had purchased mortgage loans with an aggregate principal balance outstanding of $519.3 million.

Financing Activity

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 such maximum annual limit.

The Corporation's mortgage lending activities have been financed through the issuance of bonds and notes. Prior to its merger with the Corporation, the Authority also issued bonds and notes. The following table summarizes the aggregate amount of Corporation bonds and notes that have been issued and that remain outstanding. Information regarding the Corporation's bonds and notes is provided quarterly in the Corporation's Mortgage Loan and Bond Information Report. See "The Corporation — General."

Summary of Corporation Bonds and Notes
(000s)
As of August 31, 2002

	Tax-Exempt Bonds	Taxable Bonds And Notes[1]	Total
Amount Issued	$9,438,509	$4,166,090	$13,604,599
Amount Outstanding	$3,104,714	$285,955	$3,390,669

[1] Excluding $108.6 million of Commercial Paper with maturities not in excess of 180 days.

During the fiscal year ended June 30, 2002 and the fiscal year ended June 30, 2001, the Corporation redeemed, exclusive of scheduled maturities and sinking fund payments, a total of $328,655,000 and $48,690,000, respectively, of debt, pursuant to provisions of the related agreements. These provisions include special optional and mandatory redemption features, including those that permit surplus revenues, resulting primarily from mortgage loan prepayments, to be used to retire the obligations at par.

In addition to the Corporation's loan activities financed with bond proceeds, a substantial portion of the Corporation's loan activities has been financed with loan prepayments and earnings derived from the permitted spread between borrowing and lending rates.

The Corporation entered into a Commercial Paper Notes agreement with a major domestic dealer permitting the issuance of up to $150 million of short-term unsecured notes. As of August 31, 2002, $108.6 million was outstanding under the Commercial Paper Notes Program. The Corporation's Commercial Paper Notes Program is rated "P-1" by Moody's, "A-1+" by S&P, and "F1+" by Fitch. The Corporation's Euro-Commercial Paper Program has no outstanding balance and, while still available, the Corporation does not intend to use the program to issue additional notes.

The Corporation negotiated a new Revolving Credit Agreement in the amount of $200 million on August 10, 1999 with a major European bank under which the Corporation may borrow up to the principal amount of the facility for general corporate purposes. In addition, the Corporation may enter into reverse repurchase agreements, but as of August 31, 2002, there was no outstanding balance.

On December 3, 1997, the Corporation issued the 1997 Self-Liquidity Bonds. On December 13, 2000, the Corporation issued the 2000 Self-Liquidity Bonds. On August 2, 2001, the Corporation issued the 2001 Self-Liquidity Bonds. As of August 31, 2002 $460,200,000 aggregate principal amount of the Self-Liquidity Bonds were outstanding. The Self-Liquidity Bonds are variable rate demand obligations on which the interest rate currently is being reset weekly. In connection with each such interest rate reset and under various other circumstances, such bonds may be tendered or deemed tendered by the holders thereof for purchase and remarketing. Pursuant to related tender agreements, the Corporation has the obligation to purchase any such bonds so tendered or deemed tendered that cannot be remarketed. The obligation of the Corporation to make such purchases is a general obligation of the Corporation and 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.

The following table details the total of $757,360,000 of long-term debt issued by the Corporation during the fiscal year ended June 30, 2002 to continue its various ongoing lending programs.

Title of Issue	Current Ratings S&P/Moody's/ Fitch	Date Issued	Program/Project Funded	Tax Status
$370,170,000 Governmental Purpose Bonds	AAA/A-1+; Aaa/	August 2, 2001	Governmental	Non-AMT
$76,580,000 2001 Series A	VMIG-1; AAA/F-1+		Purpose	Tax-Exempt
$93,590,000 2001 Series B				Tax-Exempt
$100,000,000 2001 Series C				Taxable
$100,000,000 2001 Series D				Taxable
$137,190,000 Mortgage Revenue Bonds	AAA/Aaa/AAA	October 17, 2001	Tax-Exempt FTHB	Tax-Exempt
$32,740,000 2001 Series A			Mortgage Program	Non-AMT
$104,450,000 2001 Series B				AMT
$50,000,000 Veterans Collateralized Bonds	AAA/Aaa/AAA	April 4, 2002	Veterans	Tax-Exempt
$50,000,000 2002 First				AMT
$200,000,000 Home Mortgage Revenue Bonds	AAA/A-1+; Aaa/	May 16, 2002	Tax-Exempt/	
$170,000,000 2002 Series A	VMIG-1; AAA/F-1+		Taxable FTHB	Tax-Exe/AMT
$30,000,000 2002 Series B			Mortgage Program	Taxable

Recent Financial Results of Operations

Reference is made to the audited financial statements of the Corporation, which show that the Corporation's net income for the fiscal year ended June 30, 2002 was $75.7 million, and net income for the fiscal years ended June 30, 2001 and June 30, 2000 was $96.4 million and $81.8 million, respectively. See "Financial Statements" and Appendix A — "Financial Statements of the Corporation."

The following is a summary of revenues, expenses and fund balances for each of the five fiscal years ended on or prior to June 30, 2002, which have been derived from the Corporation's audited financial statements, respectively, prepared on a combined fund basis.

Summary of Revenues, Expenses and Fund Balances
(000s)

	Fiscal Year Ended June 30				
	1998	**1999**	**2000**	**2001**	**2002**
Revenues					
Mortgage and loan revenue	$163,482	$164,181	$180,721	$204,230	$222,446
Investment income	$121,408	107,846	108,374	111,827	71,226
Rental and lease income	6,498	6,805	7,003	6,920	7,034
Settlement Income				7,200	
Externally funded program revenues	31,656	32,285	34,091	43,508	46,283
Other	4,578	2,358	1,097	2,483	2,241
Total Revenue	327,982	313,475	331,286	376,168	349,230
Expenses					
Interest	142,112	138,165	159,672	172,373	174,582
Mortgage Servicing Fees	8,245	8,723	9,844	11,335	12,933
Operations and administration	26,238	28,351	30,282	31,997	32,393
Financing costs - direct and amortized	5,584	4,517	4,515	4,311	4,823
Excess interest earnings to be rebated	1,090	5,530	(783)	1,736	(2,626)
Loan loss related items	4,129	7,375	8,110	8,627	2,690
Housing Grants	21,577	17,419	18,538	21,203	19,861
Federally funded rental subsidies	13,818	13,780	13,633	17,958	19,659
Rental housing operating expenses	9,273	9,765	9,954	10,275	9,255
Total Expenses	232,066	233,625	253,765	279,815	273,570
Net Income Before Cumulative Effect of Accounting Change	95,916	79,850	77,521	96,353	75,660
Cumulative Effect of Accounting Change[1]			4,281		
Net Income	$95,916	$79,850	$81,802	$96,353	$75,660
Net Assets/Fund Equity[2]					
Net Assets/Fund Equity - Beginning	$1,814,393	$1,821,455	$1,788,035	$1,752,355	$1,773,677
Net Income	95,916	79,850	81,802	96,353	75,660
Special Items[3]					2,035
HUD Contributed Capital Transactions	7,252	3,244	8,088		
Removal of Capitalized Soft Costs			(23,548)		
State of Alaska	(96,106)	(116,514)	(102,022)	(75,031)	(85,562)
Net Assets/Fund Equity - End of Period	$1,821,455	$1,788,035	$1,752,355	$1,773,677	$1,765,810

(1) Cumulative effect of accounting change, see Footnote 22 to the Corporation's June 30, 2000 audited financial statements.

(2) At June 30, 2002, the Corporation implemented a new financial statement reporting model, as required by GASB Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis*. The new financial statement reporting model replaced the "Fund Equity" category with the "Net Assets" category and also eliminated the subcategories of Retained Earnings and Contributed Capital.

(3)Special items, see Footnote 20 to the Corporation's June 30, 2002 audited financials.

Mortgage Loan Delinquency Experience of the Corporation

The following table summarizes the Corporation's delinquency experience at the dates indicated with respect to all mortgage loans (excluding mobile homes) held by the Corporation regardless of the program under which such loans were acquired.

Percent of Total Loans less Mobile Homes II[(1)]
with Installments Past Due

Date	Number of Loans less Mobile Homes II[(1)]	Total Past Due	30 Days	60 days	90 Days or More	Number of Loans Foreclosed During Calendar Year or Portion Indicated
December 31, 1983	36,892	3.38 %	2.72%	0.31%	0.34%	6
December 31, 1984	45,566	4.42	2.81	0.66	0.95	120
December 31, 1985[(2)]	48,340	6.50	3.67	1.05	1.78	449
December 31, 1986[(3)]	45,524	13.65	5.98	2.10	5.57	1,285
December 31, 1987	43,336	14.73	4.51	1.92	8.30	2,779
December 31, 1988	39,176	13.13	4.43	1.72	6.98	3,313
December 31, 1989	39,863	8.07	3.52	1.00	3.55	2,622
December 31, 1990	40,071	5.11	3.06	0.58	1.46	1,254
December 31, 1991	39,546	4.41	3.11	0.48	0.82	422
December 31, 1992	37,332	4.12	2.73	0.66	0.73	465
December 31, 1993	30,196	3.90	2.77	0.59	0.54	187
December 31, 1994	29,688	3.49	2.52	0.50	0.48	99
December 31, 1995	28,807	3.38	2.48	0.53	0.38	84
December 31, 1996	26,765	3.69	2.70	0.63	0.36	77
December 31, 1997	26,163	3.30	2.39	0.54	0.38	57
December 31, 1998	26,329	3.11	2.24	0.56	0.12	37
December 31, 1999	26,915	2.97	2.00	0.60	0.37	25
December 31, 2000	29,163	3.38	2.38	0.65	0.35	31
December 31, 2001	29,924	3.49	2.48	0.56	0.45	34
August 31, 2002	29,894	4.06	2.90	0.73	0.43	29

(1) Mobile Homes II loans are not secured by real property.

(2) As of November 1985, REOs were no longer included in delinquent loans. At August 31, 2002, the Corporation's REO portfolio, including Mobile Homes II, was 13 properties carried at an aggregate value of $1,345,658.

(3) The information, as of December 31, 1986, reflects a cutoff for reporting delinquent loans as of the 25th day of the month. The cutoff date used to report delinquent loans for all other periods shown is as of the 30th day of the month; the earlier cutoff date tends to overstate the percentage of delinquencies.

The mortgage loan delinquencies and foreclosures since 1988 reflect an improvement in the State's economy and operational changes by the Corporation, including the implementation of home loan refinancing and loan workout plans, specifically the HOAP Program and Streamlined Refinance Program. Under the HOAP Program, the Corporation refinanced approximately 8,125 mortgages, resulting in an average borrower savings of $176 per month.

Legislative Activity/Transfers to the State

With respect to certain statements made under this heading, see "Forward-Looking Statements."

Prior Transfers to the State

The Board adopted the Dividend Plan in 1991 that it implemented through 1995 to transfer one half of the lesser of its unrestricted net income or total net income to the State. Under the Dividend Plan 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. In 1997, as a result of the redemption of the remaining Insured Mortgage Bonds of the Corporation, $27,600,000 of excess amounts from the SMIF became available for release, and the Corporation transferred $20,000,000 of that sum to the State's general fund in cash and used the remaining $7,600,000 to increase its non-housing capital projects budget.

The Transfer Plan

In the fiscal year 1996 capital appropriation bill the Legislature expressed its intent that the Corporation would 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 fiscal years 1997 to 2000. The Corporation viewed as a portion of each of those annual figures $70,000,000 in fiscal year 1996 and $50,000,000 in fiscal years 1997 through 2000 that the Corporation had agreed on April 27, 1995 to transfer to the State in place of the Dividend Plan (the 1996 capital appropriation bill, as amended, and the April 27, 1995 agreement are herein collectively referred to as the "Transfer Plan"). Under the Transfer Plan, as stated in the language included in the fiscal year 1996 capital appropriation bill, "[T]o ensure the prudent management of [the Corporation and] to protect its excellent debt rating . . . the sum of withdrawals for transfer to the general fund and for expenditures on corporate funded capital projects should not exceed the corporation's net income for the preceding fiscal year."

In 1998 the State enacted the 1998 Act, which authorized the Corporation to finance $199,634,509 in state capital projects through the issuance of up to $224,000,000 in bonds. Since the bonds were to be repaid from the $103,000,000 in annual funds earmarked by the Corporation to comply with the Transfer Plan, and since the 1998 Act extended the $103,000,000 annual amount (the Corporation's estimation of its net income each year through 2006) to be transferred/expended by the Corporation through 2006, the Corporation views the 1998 Act as a continuation of the Transfer Plan (the 1998 Act again stated that to protect its bond rating the Corporation should neither transfer to the State nor expend on its behalf an amount that exceeds its net income for the preceding fiscal year).

The Legislature in 2000 enacted the 2000 Act which extended to the year 2008 its intent that the Corporation transfer its estimated annual net income of $103,000,000 to the State. The 2000 Act, like the 1996 appropriation bill and the 1998 Act, confirms that the Corporation is to transfer annually the lesser of $103,000,000 or its net income, for a total amount during the nine year period ending in 2008 not to exceed $927,000,000. The 2000 Act also authorized the Corporation to (i) issue general obligation debt for certain state capital projects, (ii) purchase 40% of the State of Alaska's right to receive proceeds derived from the settlement of State of Alaska v. Philip Morris, Incorporated et al (the "Tobacco Settlement Proceeds"), (iii) and to issue bonds (or for its subsidiary to issue bonds) secured by the Tobacco Settlement Proceeds to finance $93,000,000 in school construction projects (in 2001 the Legislature authorized the Corporation to purchase an additional 40% of the Tobacco Settlement Proceeds and authorized the Corporation or its subsidiary to issue bonds secured by the Tobacco Settlement Proceeds to finance $110,000,000 of state construction projects). To date, the Corporation has issued $196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act (the larger projects allocated under the 1998 Act included deferred maintenance at the University of Alaska, Fairbanks, new schools, school maintenance projects, and harbors and armories), and $74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, and has completed its issuance authority under both.

Aggregate Transfers to Date under the Transfer Plan

The following reflects the aggregate transfers the Corporation has made to the State through June 30, 2002, or which, in the case of the University of Alaska deferred maintenance funding for other than student housing, were appropriated and incorporated in agreements where actual payments will be made as requested.

Transfer Type	Pre-FY00	FY00	FY01	FY02	Total
State Debt Repaid Early	$ 29,800,000				$ 29,800,000
State Asset Purchases	252,300,000				252,300,000
Dividend Payments	114,300,000				114,300,000
State Equity Transfers	421,020,000	$32,000,000	$15,007.000	$ 6,000,000	474,027,000
State Capital Project Bond Fund	34,905,000	40,255,000	36,534,000	49,290,000	160,984,000
Non-Housing Capital Projects	99,293,000	29,767,000	23,490,000	30,272,000	182,822,000
Total	$951,618,000	$102,022,000	$75,031,000	$85,562,000	$1,214,233,000

Adjustments to Published Net Income Results for Purposes of Transfer Plan Compliance

For purposes of determining compliance with the legislative intent language that the Corporation not transfer in any one year an amount that exceeds its net income for the previous year, and to rationalize the references to the Corporation's projections included in such language, the Corporation considers certain adjustments to its published net income results. The adjustments include adding back the amount of grant expenditures, since these expenditures were already considered in the year the $103,000,000 was allocated. To include them again during the year they are ultimately recognized for financial reporting purposes would result in their being counted twice. Although during certain years adjusted net income may be below $103,000,000, the Corporation believes transferring the full $103,000,000 is acceptable in light of such a deficiency, provided there are prior years during the term of the Transfer Plan which had adjusted net income sufficiently above the allocation cap to cover the shortfall. This recognizes that the $103,000,000 annual transfer amount is not adjusted upwards for years where the Corporation's net income is higher. The schedule below compares net income to legislative allocation limits and shows that since 1998, although the Corporation's reported net income annually has been substantially less than the $103,000,000, the Corporation has transferred/expended the full amount intended by the Transfer Agreement because the adjusted net income has, with the exception of fiscal years 1999, 2000 and 2002, remained above $103,000,000.

			(000s)			
Fiscal Year	Net Income(1)	Grant Expenditures	Adjusted Net Income	Legislative Appropriations	Excess (Deficiency)	Balance
1996	$117,480	$27,244	$144,724	$127,000	$17,724	$17,724
1997(2)	108,326	26,276	134,602	101,048	33,554	51,278
1998	95,916	21,577	117,493	103,000	13,179	64,457
1999	79,850	17,419	97,269	103,000	(5,731)	58,726
2000	81,802	18,538	100,340	103,000	(3,298)	55,428
2001	96,353	21,203	117,556	103,000	14,556	69,984
2002	75,660	19,861	95,521	103,000	(7,479)	62,505

(1) Net income for all years is based upon the Corporation's audited financial statements.

(2) Schedule does not include the excess in the State Mortgage Insurance Fund made available to the State during 1997 in the amount of $28.2 million, of which $20 million was transferred to the State and $8.2 million was used to increase the capital appropriation limitation.

Corporation Budget Legislation

The presence of the intent language in the 1996 capital appropriation bill, the 1998 Act, and the 2002 Act (that to protect the Corporation and its bond rating the Corporation should neither transfer to the State nor expend on its behalf an amount that exceeds its net income for the preceding fiscal year) is an unusual occurrence in Alaska. Intent language is discouraged and when included is frequently line-item vetoed by the Governor. Reflectively, policy discussions among the Corporation, the Governor, and the Legislature over the use of the annual transfers from the Corporation have been based upon two primary criteria. First, the Corporation's total allocations to the State cannot exceed the total amount made available by the Corporation as determined by its Board of Directors. Second, an adequate level of funding needs to be appropriated to the Corporation's housing programs and public housing facilities, including adequate maintenance of those physical structures owned by the Corporation.

The Corporation's fiscal year 2003 operating budget was approved by the Legislature at the amount submitted during the fiscal year 2002 legislative session, including the full level of funding requested by the Corporation for personnel and contractual costs. Consistent with the Transfer Plan, the enacted fiscal year 2003 operating budget estimated that $103,000,000 would be available from net income for payment of debt service, appropriation for capital projects and transfer to the Alaska debt retirement fund. The following table reflects the legislative allocation of the $103,000,000 that is considered available for fiscal years 2002 and 2003.

Amounts Made Available by the Corporation

	FY2003	FY2002
Appropriations Enacted for Corporation Transfers		
Housing and Related Expenditures of Other Agencies	$18,818,800	$28,600,000
Debt Service on State Capital Project Bonds and University of Alaska Bonds	51,000,000	45,000,000
Other State Capital and Operating Expenditures	20,176,000	10,429,500
Housing Program Expenditures Appropriated to the Corporation	13,005,200	18,970,500
TOTAL	$103,000,000	$103,000,000

In addition, the Legislature in the 2002 Act stated its intent that the Corporation issue bonds to finance capital projects of the Corporation and State agencies not to exceed $60,250,000 and for a term of maturity of not less than fiscal year 2012. The 2002 Series C Bonds are being issued pursuant to that mandate.

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.

Legislative Reviews

The 1995 Report included a review of the Financial Plan. The Transfer Plan described above was based upon the results of the Financial Plan.

The 1995 Report claimed that, after considering the $200,000,000 fiscal year 1995 transfer, a total of $445,000,000 could become excess to the Corporation during its next two fiscal years. The 1995 Report suggested that $295,000,000 could be transferred to the State during fiscal year 1996 and an additional $150,000,000 in fiscal year 1997. The 1995 Report was considerate of the potential impact additional transfers might have on the ratings of the Corporation's bonds and its ability to access capital markets. While observing that the Corporation's resources are sufficient to accommodate the removal of $445,000,000, the following comment was included in the 1995 Report:

> "We recommend the potential cumulative effect of bond ratings and investor confidences be considered before transferring additional assets from AHFC for general fund purposes."

On June 14, 1999, the Committee approved the 1999 Report. The 1999 Report contained the following conclusion:

> "We analyzed Alaska Housing Finance Corporation's (AHFC or corporation) financial statements and cash flow projections on the unrestricted general account, including critical assumptions. Based on this analysis, we determined there are no excess available assets

> beyond the annual $103 million commitment to the State through FY 06. Further, it appears there may be insufficient unrestricted cash to make available the $103 million in the final year of the eight-year series transfer agreement. We also determined that additional cash and investments totaling $8 million could be moved into the unrestricted general account from the Home Ownership Fund. Once in the unrestricted general account, these funds would be available for withdrawal. We reviewed AHFC's collateralization policy and found that changes had occurred since 1995."

Establishment of Subsidiary

The NTSC is a nonprofit corporation organized as a subsidiary of the Corporation. The NTSC was established pursuant to the 2000 Act. As a subsidiary of the Corporation, NTSC is a government instrumentality of, but separate and apart from, the State.

The Series 2000 Tobacco Bonds were issued on October 26, 2000 in an amount of $116,050,000 pursuant to the Tobacco General Indenture and a Series 2000 Supplemental Indenture, dated as of October 1, 2000, between NTSC and U.S. Bank, N.A., Seattle, Washington, as indenture trustee. The Tobacco General Indenture does not permit NTSC to issue any additional series of bonds secured by a pledge of the 2000 Pledged Receipts (defined below), other than those which may be issued for refunding purposes. The State will apply the proceeds of the sale of the 2000 Pledged Receipts to finance the capital costs of school construction.

The Series 2000 Tobacco Bonds were issued to finance NTSC's purchase of the 2000 Pledged Receipts, consisting of 40% of all amounts required to be paid to the State beginning January 10, 2002 under the MSA. Under applicable State law, the claim of NTSC to the 2000 Pledged Receipts is on a parity with the claim of the State to ownership of the remaining percentage of all amounts required to be paid to the State beginning January 10, 2002 under the MSA.

The Series 2001 Tobacco Bonds were issued on August 15, 2001 in an amount of $126,790,000 pursuant to the Tobacco General Indenture and a Series 2001 Supplemental Indenture, dated as of August 1, 2001, between NTSC and U.S. Bank, N.A., Seattle Washington, as indenture trustee. The Tobacco General Indenture does not permit NTSC to issue any additional series of bonds secured by a pledge of the 2001 Pledged Receipts (defined below), other than those which may be issued for refunding purposes. The State will apply the proceeds of the sale of the 2001 Pledged Receipts to finance the capital costs of school and harbor construction.

The Series 2001 Tobacco Bonds were issued to finance NTSC's purchase of the 2001 Pledged Receipts, consisting of 40% of all amounts required to be paid to the State beginning January 10, 2002 under the MSA. Under applicable State law, the claim of NTSC to the 2001 Pledged Receipts is on a parity with the claim of the State to ownership of the remaining percentage of all amounts required to be paid to the State beginning January 10, 2002 under the MSA.

On October 11, 2000, a complaint was filed in the Superior Court for the State of Alaska, Third Judicial District (*Myers v. State of Alaska, Alaska Housing Finance Corporation and Northern Tobacco Settlement Corporation*), seeking a declaratory judgment determining that the sale of the 2000 Pledged Receipts by the State to the Corporation or to NTSC is a dedication of State funds for a special purpose, in violation of Section 7, Article IX, of the Alaska Constitution. On October 24, 2000, Superior Court Judge Hensley ruled that such sale of the 2000 Pledged Receipts did not violate the Alaska Constitution. Plaintiff thereafter appealed to the Alaska Supreme Court; oral argument took place on July 11, 2001.

The Attorney General and Bond Counsel have rendered with respect to the Series 2000 Tobacco Bonds and the Series 2001 Tobacco Bonds their opinions that, while it is not possible to predict the outcome of any litigation with certainty, including this litigation, they believe the claims made in the complaint are without merit in that the aforementioned sales are constitutional in all respects under the Alaska Constitution and, accordingly, that the State and NTSC will prevail in a court of final jurisdiction with respect to the claims raised in the complaint.

Neither the credit, nor the revenues, nor the taxing power of the State or the credit or revenues of the Corporation shall be, or shall be deemed to be, pledged to the payment of any of the Series 2000 Tobacco Bonds or the Series 2001 Tobacco Bonds. NTSC has no taxing power.

Litigation

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

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Certain Definitions (Section 1.1)

"Act" means Chapters 55 and 56 of Title 18 of the Alaska Statutes, as amended.

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

"Bonds" means all bonds outstanding under the General Indenture, including additional bonds which may hereafter be issued.

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

"Continuing Disclosure Certificate" means the certificate, executed and delivered concurrently with the delivery of the 2002 Bonds substantially in the form attached as Appendix D to this Official Statement, under which the Corporation will agree to provide continuing disclosure for the benefit of the registered owners and beneficial owners of the 2002 Bonds.

"Corporation" means the Alaska Housing Finance Corporation, a public corporation and government instrumentality of the State created and existing pursuant to the Act.

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

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

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

"Fitch" means Fitch Ratings.

"General Indenture" means the Trust Indenture, dated as of December 1, 1998, as supplemented, by and between the Corporation and the Trustee.

"Government Obligations" means:

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

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

"Indenture" means the General Indenture and all Supplemental Indentures, including the 2002 Series A/B/C Supplemental Indenture.

"Insurer" means MBIA Insurance Corporation.

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

"Moody's" means Moody's Investors Service, Inc.

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

(1) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

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

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

"Policy" means, collectively, the financial guaranty insurance policies of the Insurer relating to the 2002 Bonds.

"Prior Series Bonds" means all Bonds issued under the Indenture prior to the issuance of the 2002 Bonds.

"Rating Agency" means, with respect to any Series of Bonds, Moody's, S&P or Fitch or any national securities rating service which then provides a rating for such Series of Bonds.

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

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

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

"Rule" means Rule 15c2-12 promulgated by the Securities and Exchange Commission.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"State" means the State of Alaska.

"Supplemental Indenture" means any indenture supplemental to or amendatory of the General Indenture, effective in accordance with "Summary of Certain Provisions of the Indenture — Supplemental Indentures."

"Trustee" means U.S. Bank, N.A., Seattle, Washington.

"2002 Act" means Chapter 1, SSSLA 2002.

"2002 Bonds" means the 2002 Series A Bonds, the 2002 Series B Bonds and the 2002 Series C Bonds.

"2002 Series A and B Bonds" means the 2002 Series A Bonds and the 2002 Series B Bonds.

“2002 Series A/B/C Supplemental Indenture” means the Supplemental Indenture, dated as of November 1, 2002, by and between the Corporation and the Trustee, relating to the 2002 Bonds.

“2002 Series A Bonds” means the Corporation’s State Capital Project Bonds, 2002 Series A.

“2002 Series B Bonds” means the Corporation’s State Capital Project Bonds, 2002 Series B.

“2002 Series C Bonds” means the Corporation’s State Capital Project Bonds, 2002 Series C.

Pledge Effected by Indenture; Indenture to Constitute a Contract (Section 2.1)

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

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

Issuance and Delivery of Bonds (Section 2.3)

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

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

Investment of Certain Funds (Section 4.3)

The Corporation shall direct the Trustee to invest amounts in the Accounts invested in Investment Securities; in the absence of direction from the Corporation, the Trustee shall, to the maximum extent practicable, keep amounts in the Accounts invested in either Government

Obligations or in money market funds rated AAAm or AAAm-G by S&P and Aaa 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. Notwithstanding the foregoing, the Corporation shall not direct the investment of, and the Trustee shall hold uninvested, moneys held for the payment of Bonds that may be tendered for purchase, and that have been tendered for purchase, pursuant to the terms of the supplemental indenture authorizing the issuance of such Bonds.

Investment Securities purchased as an investment of moneys in any Account held by the Trustee under the provisions of the Indenture shall be deemed at all times to be a part of such Account, but the income or interest earned (other than accrued interest at the time of purchase of the Investment Securities) and gains realized in excess of losses suffered by an Account due to the investment thereof shall be deposited in the Revenue Account or shall be credited as Revenues to the Revenue Account from time to time and reinvested in accordance with the provisions described in the immediately preceding paragraph.

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

Valuation and Sale of Investments (Section 4.4)

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

Establishment of Accounts (Section 5.1)

The Indenture establishes and creates the following Accounts and Subaccounts:

(1) Program Account and, within the Program Account, Program Subaccounts;

(2) Revenue Account; and

(3) Rebate Account.

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

Program Account (Section 5.2)

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

Revenue Account (Section 5.3)

The Corporation shall pay or cause to be paid to the Trustee, at least two (2) days prior to the due date thereof, assets and revenues of the Corporation as may be available (subject to agreements made with holders of other obligations of the Corporation pledging particular assets and revenues and the exclusion by the Act of a pledge of funds in the Housing Development Fund) as needed to make all payments of principal, interest and premium with respect to the Bonds and any other payments required by the Indenture or by any supplemental indenture authorizing the issuance of a Series of Bonds. The Trustee shall deposit such amounts in the Revenue Account or, if required under the terms of a supplemental indenture authorizing the issuance of a Series of Bonds, in such subaccount thereof as may be created by such supplemental indenture for such Series of Bonds. There shall also be deposited in the Revenue Account, or subaccount thereof if applicable, any other amounts required to be deposited therein pursuant to the Indenture or a supplemental indenture.

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

The Trustee shall pay out of the Revenue Account:

(i) on each Interest Payment Date, the amounts required for the payment of principal due, if any, and interest due on the Bonds on such date; and

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

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

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

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

Rebate Account (Section 5.4)

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

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

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

Payment of Redeemed Bonds (Section 6.6)

Notice having been given by mailing in the manner provided in the Indenture, the Bonds or portion thereof so called for redemption will become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date. If there shall be drawn for redemption less than the entire principal amount of a Bond, the Corporation shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered Bonds of like Series, interest rate and maturity in any of the Authorized Denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, are held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been published as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys are not so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Payment of Bonds (Section 7.1)

The Corporation shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of and the interest on every Bond at the dates and places and in the manner stated in the Bonds and in the Indenture according to the true intent and meaning thereof and will duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

Power to Issue Bonds and Pledge Revenues and Other Property (Section 7.4)

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

Tax Covenants (Section 7.6)

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

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

Accounts and Reports (Section 7.7)

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

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

Supplemental Indentures (Sections 8.1, 8.2 and 8.3)

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

(i) such modification shall be, and be expressed to be, effective only with respect to Bonds issued after the date of the adoption of such supplemental indenture, and

(ii) such supplemental indenture shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of the adoption of such supplemental indenture and of Bonds issued in exchange therefor or in place thereof; or

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

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

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

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

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

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

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

Amendment (Sections 9.2 and 9.3)

Any modification of or amendment to the Indenture and of the rights and obligations of the Corporation and of the holders of the Bonds may be made by a supplemental indenture with the written consent given as provided in the Indenture of the holders of at least 60% in principal amount of the Bonds Outstanding at the time such consent is given and in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least 60% in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified maturity remain Outstanding, *however,* the consent of the holders of such Bonds shall not be required and any such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount of the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may in its sole discretion determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series or maturity would be affected by any modification or amendment of the Indenture and any such determination shall be binding and conclusive on the Corporation and all holders of Bonds.

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

Modifications by Unanimous Consent (Section 9.4)

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

Events of Default (Section 10.1)

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

Remedies (Section 10.2)

Upon the happening and continuance of an Event of Default described in clauses (a) or (b) under "Summary of Certain Provisions of the Indenture — Events of Default," the Trustee shall proceed to protect and enforce its rights and the rights of the Bondholders by such of the remedies described herein as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights. Upon the happening and continuance of any Event of Default described in clauses (c) or (d) under "Summary of Certain Provisions of the Indenture — Events of Default," the Trustee may proceed to enforce such rights and, upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds, shall proceed to enforce such rights in its own name, subject to the provisions of the Indenture. The remedies available to the Trustee under the Indenture are: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders or the Trustee, including the right to require the Corporation to receive and collect the revenues and assets adequate to carry out the covenants and agreements as to, and the pledge of, such revenues and assets and to require the Corporation to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; or (e) by declaring all Bonds due and payable, and if all defaults are cured, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds (100% in the case of an Event of Default described in clauses (a) or (b) under "Summary of Certain Provisions of the Indenture — Events of Default"), by annulling such declaration and its consequences.

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

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

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

Priority of Payments after Default (Section 10.3)

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

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

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

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

(ii) If the principal of all of the Bonds shall have become or shall have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

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

Bondholders' Direction of Proceedings (Section 10.5)

Anything in the Indenture to the contrary notwithstanding, the holders of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Indenture, *provided that* such direction shall not be otherwise than in accordance with law or the provisions of the

Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Rights of Bondholders (Section 10.6)

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

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

Trustee (Article XI)

Except during the existence of an Event of Default, the Corporation may remove the Trustee at any time for any such cause as determined in the sole discretion of the Corporation. Any successor to the Trustee must be a trust company or a bank having the powers of a trust company and having a capital, surplus and undivided profits aggregating at least $25 million and having investment grade ratings from the Rating Agencies. In addition, the 2002 Series A/B/C Supplemental Indenture requires the consent of the Insurer to the appointment of such successor Trustee, which consent may not be unreasonably withheld. The Corporation is required to pay to the Trustee from time to time, reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in the performance of their powers and duties under the Indenture.

Defeasance (Section 12.1)

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

Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid with the effect expressed in the immediately preceding paragraph if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys in an amount which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of a nationally recognized certified public accountant, to pay when due the principal or Redemption Price, if any, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof as the case may be, and (iii) in the event said Bonds do not mature and are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the holders of such Bonds that the deposit required by (ii) above of this paragraph has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. Neither Government Obligations nor moneys deposited with the Trustee nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Bonds; but any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge. There shall also be delivered to the Trustee in connection with the deposit of moneys or Government Obligations an opinion of nationally recognized bond counsel that, with respect to Bonds the interest on which was intended at the time of their initial issuance to be excluded from gross income for Federal income tax purposes, the deposit of moneys does not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes and such deposit has been made in compliance with the Indenture.

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

TAX MATTERS

General

In the opinion of Bond Counsel and Special Tax Counsel, to be delivered on the date of issuance of the 2002 Bonds, under existing laws, regulations, rulings and judicial decisions and assuming, among other matters, compliance with certain covenants and agreements which are intended to assure compliance with applicable provisions of the Code, interest on the 2002 Bonds (i) is excluded from gross income for Federal income tax purposes and (ii) is not treated as a specific preference item for purposes of the Federal individual and corporate alternative minimum taxes; *however,* interest on the 2002 Bonds is included in the adjusted current earnings (*i.e.,* alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

In the opinion of Bond Counsel, interest on the 2002 Bonds is free from taxation by the State under existing law (*except* that no opinion is expressed as to such exemption from State estate and inheritance taxes and taxes of transfers by or in anticipation of death).

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the 2002 Bonds. The Arbitrage and Use of Proceeds Certificate of the Corporation, which will be delivered concurrently with the delivery of the 2002 Bonds, will contain provisions and procedures relating to compliance with the requirements of the Code. The Corporation also has covenanted that it will at all times do and perform all acts and things necessary or desirable in order to assure that interest on the 2002 Bonds will not become includable in gross income for Federal income tax purposes. Failure to comply with these covenants and agreements may result in interest on the 2002 Bonds being included in Federal gross income, from the date of issuance of the 2002 Bonds. The opinions of Bond Counsel and Special Tax Counsel assume the Corporation is in compliance with these covenants and agreements. Bond Counsel and Special Tax Counsel are not aware of any reason why the Corporation cannot or will not be in compliance with such covenants and agreements. *However,* Bond Counsel and Special Tax Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2002 Bonds may affect the tax status of interest on the 2002 Bonds.

Although Bond Counsel and Special Tax Counsel will render their respective opinions that interest on the 2002 Bonds is excluded from gross income for Federal income tax purposes, the accrual or receipt of interest on such 2002 Bonds may otherwise affect the income tax liability of owners of such 2002 Bonds. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. Bond Counsel and Special Tax Counsel express no opinion regarding any such consequences.

Purchasers of the 2002 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the 2002 Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the Federal tax matters referred to above or adversely affect the market value of the 2002 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the 2002 Bonds should consult his or her own tax advisor regarding any pending or proposed Federal tax legislation. Bond Counsel and Special Tax Counsel express no opinion regarding any pending or proposed Federal tax legislation.

Original Issue Premium and Discount

The 2002 Series A Bonds maturing on or before July 1, 2007, the $3,155,000 2002 Series A Bonds maturing July 1, 2008, the $3,770,000 2002 Series A Bonds maturing July 1, 2009, the $4,005,000 2002 Series A Bonds maturing July 1, 2010, and the $3,995,000 2002 Series A Bonds maturing July 1, 2011 (collectively, the "Premium Bonds") are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for Federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no Federal income tax deduction is allowed.

The $180,000 2002 Series A Bonds maturing July 1, 2009, the $140,000 2002 Series A Bonds maturing July 1, 2010, and the $385,000 2002 Series A Bonds maturing July 1, 2011 (collectively, the "Discount Bonds") are being offered at a price which is below the amount payable on such Discount Bonds at maturity (with such difference being hereinafter referred to as "Original Issue Discount"). An owner who acquires a Discount Bond in the original offering will be treated as receiving on each day from the date of issuance of such a Discount Bond interest that is attributable to such Original Issue Discount and which is excluded from gross income for Federal income tax purposes in an amount determined pursuant to the economic accrual method that is required by the Code. The amount representing Original Issue Discount that is treated as being received by an owner of a Discount Bond will be added to the owner's tax basis for purposes of determining gain or loss upon a sale of a Discount Bond.

Purchasers of the Premium Bonds and the Discount Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium and discount for Federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond or a Discount Bond.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters in complying with the Rule, the Corporation will execute and deliver the Continuing Disclosure Certificate. The Corporation will undertake to provide each Nationally Recognized Municipal Securities Information Repository, and if and when one is established, the Alaska State Information Depository, on an annual basis on or before 135 days after the end of each fiscal year for the Corporation, commencing with the fiscal year ending June 30, 2002, the financial and operating data concerning the Corporation outlined in the Continuing Disclosure Certificate. In addition, the Corporation will undertake, for the benefit of the registered owners and beneficial owners of the 2002 Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board, and to the State Information Depository, in a timely manner, the notices described in the Continuing Disclosure Certificate.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Certificate is an action to compel specific performance of the undertakings of the Corporation, and no person, including a registered owner or beneficial owner of the 2002 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture. In addition, if all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Certificate, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

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

RATINGS

S&P has assigned the 2002 Series A and B Bonds a rating of "AAA", Moody's has assigned the 2002 Series A and B Bonds a rating of "Aaa", and Fitch has assigned the 2002 Series A and B Bonds a rating of "AAA". S&P has assigned the 2002 Series C Bonds a rating of "AAA/A-1+", Moody's has assigned the 2002 Series C Bonds a rating of "Aaa/VMIG-1" and Fitch has assigned the 2002 Series C Bonds Bonds a rating of "AAA/F1+". The assignment of such respective ratings by S&P, Moody's, and Fitch to the 2002 Bonds is conditioned upon the delivery of the Policy by the Insurer substantially in the form set forth as Exhibit H hereto and upon the delivery of the Initial Liquidity Facility, reflecting the Corporation's obligation to purchase Variable Rate Bonds as described above, at the time of delivery of the 2002 Bonds. Such ratings on the 2002 Bonds will expire on the termination of the Policy. The obligation of the underwriters listed on the cover page to purchase the 2002 Series A Bonds and Bear Stearns' obligation to purchase the Variable Rate Bonds are conditioned on the assignment by S&P, Moody's and Fitch of the respective aforementioned ratings to the 2002 Bonds. Each rating reflects only the view of the applicable rating agency at the time such rating was issued and an explanation of the significance of such rating may be obtained from the rating agency. There is no assurance that any such rating will continue for any given period of time or that any such ratings will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of any such rating can be expected to have an adverse effect on the market price of the 2002 Bonds.

FINANCIAL STATEMENTS

Copies of the Corporation's annual financial statements as of and for the year ended June 30, 2002 and the Corporation's current annual report will be mailed to any Beneficial Owner who shall have filed his name and address with the Corporation for such purpose.

INDEPENDENT AUDITORS

The financial statements of Corporation as of and for the year ended June 30, 2002, included in Appendix A to this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein.

LITIGATION

There is no controversy or litigation of any material nature now pending or threatened to restrain or enjoin the issuance, sale, execution, authentication, or delivery of the 2002 Bonds, or in any way contesting or affecting the validity of such 2002 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 2002 Bonds, or the existence or powers of the Corporation.

LEGAL MATTERS

All legal matters incident to the authorization, sale and delivery of the 2002 Bonds and certain Federal and state tax matters are subject to the approval of Wohlforth, Vassar, Johnson & Brecht, P.C., Anchorage, Alaska, Bond Counsel. Certain Federal tax matters will be passed upon for the Corporation by Kutak Rock LLP, Special Tax Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Hawkins, Delafield & Wood, New York, New York.

STATE NOT LIABLE ON BONDS

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

LEGALITY FOR INVESTMENT

Subject to any applicable Federal requirements or limitations, the 2002 Bonds are eligible for investment by all public officers and public bodies of the State and its political subdivisions and, to the extent controlled by State law, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them, in the 2002 Bonds.

UNDERWRITING

The 2002 Series A Bonds are being purchased by the underwriters listed on the cover page. The underwriters have jointly and severally agreed to purchase the 2002 Series A Bonds at the price of $35,099,939.25 (equal to the face amount of the Bonds, less original issue discount of $4,836.40, plus original issue premium of $2,199,775.65), plus accrued interest, if any. The obligation of the underwriters to purchase the 2002 Series A Bonds is conditioned on the issuance and delivery of the Variable Rate Bonds. The underwriters will be paid a fee of $199,628.24 with respect to the 2002 Series A Bonds. The Bond Purchase Agreement with respect to the 2002 Series A Bonds provides that the underwriters will purchase all of such Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Bond Purchase Agreement, the receipt of certain legal opinions, and certain other conditions. The initial public offering prices and yields of the 2002 Series A Bonds may be changed from time to time by the underwriters. The Bond Purchase Agreement with respect to the 2002 Series A Bonds provides that the underwriters may offer and sell the 2002 Series A Bonds to certain dealers (including dealers depositing such Bonds into unit investment trusts, certain of which may be sponsored or managed by an underwriter) and others at prices lower or yields higher than the public offering prices and yields of the 2002 Series A Bonds set forth on the inside cover page.

The Variable Rate Bonds are being purchased by Bear Stearns at the aggregate initial offering price set forth on the inside cover page, plus accrued interest, if any. Bear Stearns will be paid a fee of $298,791.90 with respect to the Variable Rate Bonds. The Bond Purchase Agreement with respect to the Variable Rate Bonds provides that Bear Stearns will purchase all of such Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Bond Purchase Agreement, the receipt of certain legal opinions, and certain other conditions. The obligation of Bear Stearns to purchase the Variable Rate Bonds is conditioned on the issuance and delivery of the 2002 Series A Bonds. The initial public offering prices and yields of the Variable Rate Bonds may be changed from time to time by Bear Stearns. The Bond Purchase Agreement with respect to the Variable Rate Bonds provides that Bear Stearns may offer and sell the Variable Rate Bonds to certain dealers (including dealers depositing such Bonds into unit investment trusts, certain of which may be sponsored or managed by Bear Stearns) and others at prices lower or yields higher than the public offering prices and yields of the Variable Rate Bonds set forth on the inside cover page.

FINANCIAL ADVISOR

Arimax Financial Advisors, Inc. has acted as financial advisor in connection with the issuance of the 2002 Bonds.

FORWARD-LOOKING STATEMENTS

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

ADDITIONAL INFORMATION

The summaries and references herein to the Act, the 2002 Bonds, the Indenture and other documents and materials are brief outlines of certain provisions contained therein and do not purport to summarize or describe all the provisions thereof. For further information, reference is hereby made to the Act, the Indenture and such other documents and materials for the complete provisions thereof, copies of which will be furnished by the Corporation upon request. See "The Corporation — General" for the address and telephone number of the Corporation's main office.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the owner of any 2002 Bonds.

APPENDIX A

FINANCIAL STATEMENTS OF THE CORPORATION

Alaska Housing
FINANCE CORPORATION

a component unit of the State of Alaska

Financial Statements

With Independent Auditors' Report

June 30, 2002

Table of Contents

This is a publication of the Alaska Housing Finance Corporation. For comments or questions please contact the Alaska Housing Finance Corporation's Accounting Department:

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Anchorage, AK 99501

Independent Auditors' Report

The Board of Directors
Alaska Housing Finance Corporation:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation as of and for the year ended June 30, 2002, which collectively comprise Alaska Housing Finance Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation as of June 30, 2002, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, as of July 1, 2001 the Corporation adopted Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2002, on our consideration of Alaska Housing Finance Corporation's internal control over financial

KPMG

The Board of Directors
Alaska Housing Finance Corporation

reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

KPMG LLP

September 27, 2002, except for Note 19, as to which
the date is October 15, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

This section of the Alaska Housing Finance Corporation's (the "Corporation") annual financial report presents management's discussion and analysis of financial position and the results of operations during the fiscal year ended June 30, 2002. This information is being presented to provide additional information regarding the activities of the Corporation and to meet the disclosure requirements of Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This information should be read in conjunction with the Independent Auditors' Report, financial statements and accompanying notes.

The Corporation's operations are of business type activities and follow enterprise fund reporting. The Corporation is a component unit of the State of Alaska and is discretely presented in the State's financial statements.

Condensed Financial Information and Financial Highlights

(in thousands)

	2002	2001	Increase (Decrease)
Investments	$ 1,587,877	$ 1,457,510	$ 130,367
Mortgage loans, notes and other loans net	3,373,640	3,150,156	223,484
Total assets	5,182,154	4,830,838	351,316
Bonds and notes, net	3,267,553	2,898,024	369,529
Total liabilities	3,416,344	3,057,161	359,183
Total net assets	1,765,810	1,773,677	(7,867)

The assets of the Corporation exceeded its liabilities at June 30, 2002 by $ 1.8 billion. Of this amount $98 million represents capital assets, net of accumulated depreciation and related debt, $1.4 billion is restricted by bond resolutions or by contractual or statutory agreements and $210 million is available to meet the obligations of the Corporation.

Total assets increased by a net amount of $351 million during 2002 primarily due to increases in both investments and loans. An increase in investments was due to the influx of new money from the issuance of bonds, and from an increase in loan repayments from borrowers. The increase in mortgage loans, notes and other loans was due to increased growth in the loan portfolio net of repayments and a lower reserve on new loans.

Total bonds and notes increased by $370 million during the year. See discussion below under Debt Administration for analysis of the change in bonds and notes.

Condensed Financial Information and Financial Highlights - Results of Operations
(in thousands)

	2002	2001	Increase (Decrease)
Mortgages and loan revenue	$ 222,446	$ 204,084	$ 18,362
Investment interest income	71,115	108,303	(37,188)
Externally funded programs	46,283	43,508	2,775
Total operating revenues	349,230	368,968	(19,738)
Interest expense	174,582	172,373	2,209
Operations and administration	32,393	31,997	396
Housing grants and subsidies	39,520	39,161	359
Total operating expenses	273,570	279,815	(6,245)
Operating income	75,660	89,153	(13,493)
Contributions to the State of Alaska or other State Agencies	85,562	75,031	10,531
Special item	2,035	—	2,035
Change in net assets	(7,867)	21,322	(29,189)

Total operating revenues decreased by a net amount of $20 million during 2002 primarily due to a decrease in investment interest income resulting from lower interest rates. Although total revenues decreased, mortgage and loan revenue increased due to continued growth of the Corporation's loan portfolio.

Total operating expenses decreased by a net amount of $6 million during 2002. The allowance for loan loss reserve is an estimate of uncollectible amounts that is used to reduce the reported value of the loan portfolio. During the current year the allowance has been decreased due to the review of assigned risk ratings, delinquent payment history, and changing economic conditions. This resulted in a decrease in the provision for loan loss of $5 million. Operating expenses also decreased due to changes in the arbitrage rebate accrual, which is influenced by a lower interest rate environment.

The Corporation continued its series of annual equity payments to the State of Alaska General Fund. During the fiscal year ended June 30, 2002, the Board of Directors of the Corporation approved a budget for FY 2003 that included a $50 million cash payment and an additional $46 million capital budget, for a total payment to the State of $96 million, equal to the Corporation's net income for the fiscal year ended June 30, 2001, pre-GASB statement No. 34 net income. That amount was modified to $103 million during the Legislative Session. The FY 2004 contribution to the State's General Fund is anticipated to be $75.66 million, equal to the FY 2002 operating net income.

During the fiscal year 2002, the Corporation had a special item of $2 million on the Statement of Revenues, Expenses and Changes in Net Assets. This is a result of closing an inactive Mutual Help Program and writing off of the remaining assets and liabilities of that program.

Major Fund – Administrative Fund

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

- provide for general working capital requirements of the Corporation
- fund program requirements
- are available to meet outstanding obligations and to fund continuing appropriations
- are available to absorb future loan foreclosure losses, and

- are the source for transfers to, and debt service payments for debt issued on behalf of, the State of Alaska for legislatively authorized transfers and state capital projects.

USING THIS FINANCIAL REPORT

This financial report consists of two parts, the MD&A and the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets and a statement of cash flows.

Required Financial Statements

The *Statement of Net Assets* answers the question, "How is our financial health at the end of the year?". This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Assets.* This statement measures the success of the Corporation's operations over the past year and can be used to determine whether the Corporation has successfully recovered all of its costs through mortgages and loans, externally funded programs and other revenue sources. This statement also helps answer the question "Is the Corporation as a whole better off or worse off as a result of the year's activities?"

The other required financial statement is the *Statement of Cash Flows*. The primary purpose of this statement is to provide information about the Corporation's cash receipts and cash payments during the accounting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing and investing activities. It provides answers to such questions as "where did cash come from?", "what was cash used for?" and "what was the change in cash balance during the reporting period?"

DEBT ADMINISTRATION

At year-end, the Corporation had $3.2 billion of bonds and notes payable secured by the Corporation. The Corporation's debt is generally rated by three major rating agencies. The ratings assigned to the Corporation by each of those agencies is:

Rating Category	Fitch Ratings	Moody's Investors Service	Standard & Poor's
General Obligation:			
Long Term	AA+	Aa2	AA-
Short Term	F1+	P-1	A-1+
General Account Fund Rating:			
Credit Quality			AAAf
Volatility			S1

Significant debt activity during the year included the following:

- Issued $50 million of Tax-Exempt Veterans Mortgage Program Bonds;
- Issued $337 million of Tax-Exempt First-Time Homebuyer Bonds;
- Issued $370 million of Tax-Exempt Governmental Purpose Bonds, which for tax purposes partially refunded a 1995 Governmental Purpose Bond issue in the amount of $160 million;
- Redeemed bonds through surplus redemption provisions of their respective indentures in the amount of $157 million and;
- Issued and redeemed short-term commercial paper under the Corporation's $150 million commercial paper program.

The Operating Budget of the State of Alaska for the fiscal year ended June 30, 2002, authorized the issuance of $798 million in bonds by the Corporation. This limitation did not apply to refunding bonds. Bond issuances for the year were under this limit.

Additional information on the Corporation's long-term debt can be found in the notes of the financial statements.

ECONOMIC FACTORS AND OTHER FINANCIAL INFORMATION

During the Fiscal Year ended June 30, 2002, the world financial markets experienced a pattern of volatility that, if extended for a significant period of time, could have a negative impact upon the Corporation's operations.

Fluctuations in the stock markets have driven investors out of equity holdings and into the fixed-income market. This has had a favorable impact upon the Corporation's debt issuances, affording it some of the lowest coupon debt in its history.

However, with approximately $1.6 billion in investment securities, of which approximately $1.1 billion is subject to interest rate fluctuations, a reduction in short-term rates in excess of 3% from the prior fiscal year has caused a 34% reduction in investment interest income for Fiscal Year 2002.

Lower interest rates had no apparent impact on the Corporation's loan portfolios during Fiscal Year 2002. However, mortgage rates are currently at 40 year lows, and borrowers are refinancing at a pace not seen in recent history. Those refinanced loans may be made under existing programs at AHFC, which will have the effect of lowering the yield on our portfolios by, as a general rule, more than 1%. If the loans are refinanced through competitors, the size of AHFC's loan portfolio will decline. In either event, large bond redemptions in the next fiscal year are probable.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Financial Reporting Officer at dboyce@ahfc.state.ak.us.

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ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
As of June 30, 2002
(in thousands of dollars)

	Administrative Fund	General Mortgage Revenue Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	State Capital Project Bonds 1999 B
ASSETS				
Current				
Cash	2,762	150	213	358
Investments	404,932	27,164	4,735	22,499
Accrued interest receivable	2,510	2,228	2,190	629
Mortgage loans, notes and other loans	1,533	4,782	12,177	-
Net investment in direct financing lease	-	-	-	-
Other assets	586	108	377	-
Intergovernmental receivable	-	-	-	-
Total Current	412,323	34,432	19,692	23,486
Non-Current				
Investments	-	260,735	130,737	31,421
Mortgage loans, notes and other loans, net of allowance	113,402	202,893	284,557	-
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	2,933	1,638	670
Capital assets, net	571	-	-	-
Other assets	1,459	-	-	-
Total Non-Current	115,432	466,561	416,932	32,091
Total Assets	527,755	500,993	436,624	55,577
LIABILITIES				
Current				
Bonds and notes payable	-	2,410	4,735	18,735
Short term debt	108,541	-	-	-
Accrued interest payable	165	2,063	860	314
Other liabilities	5,133	4,273	416	4
Intergovernmental payable	5	-	-	-
Total Current	113,844	8,746	6,011	19,053
Noncurrent				
Bonds and notes payable, net of current portion	-	427,659	362,045	54,914
Other liabilities	328	-	-	-
Total Non-Current	328	427,659	362,045	54,914
Total Liabilities	114,172	436,405	368,056	73,967
NET ASSETS				
Invested in capital assets, net of related debt	571	-	-	-
Restricted by bond resolutions	-	64,588	68,568	-
Restricted by contractual or statutory agreements	119,998	-	-	-
Unrestricted net assets, (deficit)	293,014	-	-	(18,390)
Total Net Assets (deficit)	413,583	64,588	68,568	(18,390)

See accompanying notes to the financial statements.

Other Non-Major Funds	Total
6,025	9,508
203,605	662,935
17,458	25,015
66,664	85,156
1,533	1,533
18,124	19,195
618	618
314,027	803,960
502,049	924,942
2,687,632	3,288,484
36,164	36,164
22,864	28,105
98,469	99,040
-	1,459
3,347,178	4,378,194
3,661,205	5,182,154
48,490	74,370
-	108,541
10,851	14,253
6,651	16,477
8,474	8,479
74,466	222,120
2,348,565	3,193,183
713	1,041
2,349,278	3,194,224
2,423,744	3,416,344
97,837	98,408
645,927	779,083
557,879	677,877
(64,182)	210,442
1,237,461	1,765,810

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2002

(in thousands of dollars)

	Administrative Fund	General Mortgage Revenue Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	State Capital Project Bonds 1999 B
OPERATING REVENUES				
Mortgage and loans revenue	12,756	15,405	19,847	-
Investment interest	16,440	13,732	5,275	3,733
Net change in the fair value of investments	509	65	11	147
Total Investment Revenue	16,949	13,797	5,286	3,880
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	1,238	-	5	-
Total Operating Revenues	30,943	29,202	25,138	3,880
OPERATING EXPENSES				
Interest	2,365	25,631	10,828	4,233
Mortgage and loan costs	888	861	1,040	-
Operations and administration	224	873	1,246	-
Financing expenses	1,034	(2,445)	358	135
Provision for loan loss	(3,325)	(6,473)	6,738	-
Housing grants and subsidies	1	-	-	-
Rental housing operating expenses	-	-	-	-
Total Operating Expenses	1,187	18,447	20,210	4,368
Operating Income (Loss)	29,756	10,755	4,928	(488)
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(10,701)	-	-	(35,589)
Special Items (Note 20)	-	-	-	-
Transfers - Internal	(351,005)	(48,998)	63,640	18,413
Change in Net Assets	(331,950)	(38,243)	68,568	(17,664)
Net assets at beginning of year	745,533	102,831	-	(726)
Net Assets at End of Period	413,583	64,588	68,568	(18,390)

See accompanying notes to the financial statements.

Other Non-Major Funds	Total
174,438	222,446
31,935	71,115
(621)	111
31,314	71,226
46,283	46,283
7,034	7,034
998	2,241
260,067	349,230
131,525	174,582
10,144	12,933
30,050	32,393
3,115	2,197
5,750	2,690
39,519	39,520
9,255	9,255
229,358	273,570
30,709	75,660
(39,272)	(85,562)
2,035	2,035
317,950	-
311,422	(7,867)
926,039	1,773,677
1,237,461	1,765,810

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASHFLOWS
For the Year Ended June 30, 2002
(in thousands of dollars)

	Administrative Fund	General Mortgage Revenue Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	State Capital Project Bonds 1999 B
Cash flows from operating activities:				
Interest income on mortgages and loans	12,433	15,830	17,081	-
Principal payments received on mortgages and loans	6,483	36,470	53,664	-
Purchases of mortgages and loans	(555,271)	-	-	-
Receipt (payment) for loan transfers between funds	665,226	(50,721)	(139,948)	-
Cash payments to employees for services	(9,221)	-	-	-
Cash payments to suppliers for goods and services	(24,106)	-	(144)	-
Cash received for externally funded programs	-	-	-	-
Other operating cash receipts	8,404	-	5	-
Net cash provided by (used for) operating activities	103,948	1,579	(69,342)	-
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	-	-	370,170	-
Principal paid on bonds	-	(2,305)	(3,390)	(17,860)
Payment of bond issuance costs	-	-	(1,522)	-
Interest paid	(2,752)	(24,808)	(9,968)	(4,415)
Proceeds from issuance of short term debt	566,000	-	-	-
Payment of short term debt	(567,499)	-	-	-
Contributions to the State of Alaska or other State agencies	(36,272)	-	-	(35,589)
Transfers (to) from other funds	(68,474)	156,305	(155,096)	17,978
Net cash provided by (used for) noncapital financing activities	(108,997)	129,192	200,194	(39,886)
Cash flows from capital financing activities:				
Acquisition of capital assets	(7,223)	-	-	-
Principal paid on capital notes	-	-	-	-
Interest paid	-	-	-	-
Proceeds from the direct financing lease payments	-	-	-	-
Net cash provided by (used for) capital financing activities	(7,223)	-	-	-
Cash flows from investing activities:				
Purchase of investments	(2,628,745)	(1,294,141)	(297,414)	(103,589)
Proceeds from maturity of investments	2,623,759	1,149,624	161,953	139,895
Interest received from investments	16,533	13,489	4,822	3,938
Net cash provided by (used for) investing activities	11,547	(131,028)	(130,639)	40,244
Net Increase (decrease) in cash	(725)	(257)	213	358
Cash at the beginning of year	3,487	407	-	-
Cash at end of period	2,762	150	213	358
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	29,756	10,755	4,928	(488)
Adjustments:				
Depreciation expense	174	-	-	-
Provision for loan losses	(3,325)	(6,473)	6,738	-
Amortization of bond issuance costs	-	83	28	23
Net change in the fair value of investments	(509)	(65)	(11)	(147)
Transfers between funds for operating activity	(28,512)	(1,655)	1,443	112
Investment interest income	(16,533)	(13,489)	(4,822)	(3,938)
Interest expense	2,365	25,631	10,828	4,233
Changes in assets and liabilities:				
Mortgages and loans	116,438	(14,251)	(86,284)	-
Other assets & liabilities	4,094	1,043	(2,190)	205
Net cash provided by (used for) operating activities	103,948	1,579	(69,342)	-
Noncash investing, capital and financing activities:				
Asset transfers	(1,072)	(217,134)	217,134	
Special item writeoff of assets & liabilities for Mutual Help program				

See accompanying notes to the financial statements.

Other Non-Major Funds	Total
163,495	208,839
359,377	455,994
(128,270)	(683,541)
(474,557)	-
(8,750)	(17,971)
(40,398)	(64,648)
40,426	40,426
8,161	16,570
(80,516)	(44,331)
387,172	757,342
(367,725)	(391,280)
-	(1,522)
(129,813)	(171,756)
-	566,000
-	(567,499)
(13,701)	(85,562)
49,287	-
(74,780)	105,723
(697)	(7,920)
(24)	(24)
(5)	(5)
3,549	3,549
2,823	(4,400)
(3,654,796)	(7,978,685)
3,773,203	7,848,434
30,343	69,125
148,750	(61,126)
(3,723)	(4,134)
9,748	13,642
6,025	9,508
30,709	75,660
4,116	4,290
5,750	2,690
1,896	2,030
621	(111)
28,612	-
(30,343)	(69,125)
131,525	174,582
(243,450)	(227,547)
(9,952)	(6,800)
(80,516)	(44,331)
1,072	
2,035	

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FOR THE YEAR ENDED JUNE 30, 2002

1 AUTHORIZING LEGISLATION AND FUNDS

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

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

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

Northern Tobacco Securitization Corporation (NTSC) was incorporated in the State of Alaska pursuant to House Bill No. 281 of the Alaska Legislature, as a subsidiary of the Corporation. There is no financial accountability between NTSC & the Corporation. Neither the Corporation nor the State is liable for any debt issued by NTSC. NTSC is not a component unit of the Corporation and thus not included in the Corporation's financial statements. NTSC is a government instrumentality of, but separate and apart from, the State of Alaska.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

GASB issued various statements; No. 34, *Basic Financial Statements and Management's Discussion and Analysis*, No. 37 *Basic Financial Statements and Management's Discussion and Analysis: Omnibus*, *an amendment of GASB statements No. 21 and No. 34,* and No. 38*, Certain Financial Statement Note Disclosures*. These statements established new financial reporting requirements (new reporting model) for state and local governments. The Corporation adopted these statements for the year ended June 30, 2002. The adoption of these statements required the Corporation to make several changes to the presentation of its basic financial statements and footnotes, in addition to requiring the presentation of a new section called Management's Discussion and Analysis (MD&A).

The Corporation's basic financial statements include a MD&A section, a classified Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets formatted to report operating and nonoperating revenues and expenses, a Cashflow Statement presented using the direct method, and modified Footnotes. The Corporation's statements present the Administrative Fund and the other Major Funds in separate columns. The remaining Non-Major Funds are aggregated and displayed in a single column. The Total column presents the entity-wide amounts for the Corporation.

The financial statements for the year ended June 30, 2002 do not include comparative financial information as a result of substantial changes in presentation due to the new reporting model required by GASB Statements No. 34, 37 and 38. In subsequent years the Corporation will present comparative financial statements.

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

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

General Mortgage Revenue Bonds 1997 A. This fund accounts for debt issued and assets pledged for payment of the debt under this bond indenture.

Governmental Purpose Bonds 2001 A-D. This fund accounts for debt issued and assets pledged for payment of the debt under this bond indenture.

State Capital Project Bonds 1999 B. This fund accounts for State Capital Project Bonds of the Corporation to finance projects of the State and municipalities.

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

Restricted Assets and Fund Equity
The restricted net asset amounts of the Administrative Fund consist of the Corporation's remaining commitments to the State (refer to Footnote No. 15, State Authorizations and Commitments, for further details). The remaining resources of the Administrative Fund are unrestricted.

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

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

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

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

Loans
Mortgage loans are carried at their unpaid principal balances net of allowance for estimated loan losses. Under previous agreements, the Corporation exchanged mortgages for mortgage-backed securities (MBSs) with Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC) and issued mortgage certificates guaranteed by the Government National Mortgage Association (GNMA). MBSs received in exchange for mortgages and those issued by the Corporation under its MBS program are carried at the unpaid principal balance of the underlying mortgage loans, net of related allowances.

Allowances for Estimated Loan Losses
The Corporation provides for possible losses on loans anticipated to be foreclosed upon. A potential loss is recorded when the net realizable value, or fair value, of the related collateral or security interest is estimated to be less than the Corporation's investment in the property less anticipated recoveries from private mortgage insurance, private credit insurance, and various other loan guarantees. In providing for losses, through a charge to operations, consideration is given to the costs of holding real estate, including interest costs. The loan portfolio, property holding periods and property holding costs are reviewed periodically. While management uses the best information

available to make evaluations, future adjustments to the allowances may be necessary if there are significant changes in economic conditions or property disposal programs.

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

Amortization and Depreciation
Discount and issuance expenses on debt are deferred and amortized using the interest method over the life of the related bond issue, ranging from 30 to 40 years.

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

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

Interest Rate Swap
The Corporation's Fiscal Policies allow, with certain restrictions, the Corporation to enter into certain derivative financial instruments called interest rate swap agreements, or swaps. The Corporation enters into these swaps with various counter-parties to achieve a lower overall cost of funds for certain of its fixed rate bond issuances. These agreements can be negotiated whereby the Corporation pays the counter-party a fixed interest rate in exchange for a variable interest rate payment from the counter-party, or vice-versa. The particulars of each swap are negotiated to achieve the financing objectives of the Corporation. Other than the net interest expense resulting from these agreements, no amounts are recorded in the Corporation's financial statements.

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

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

3 CASH

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

	June 30, 2002
Restricted cash	$7,049
Unrestricted	2,459
Carrying amount	$9,508
Bank balance	$10,817

4 INVESTMENTS

Custodial Credit Risk

The Corporation assumes levels of custodial credit risk for its cash, deposits with financial institutions, bank investment agreements, and investments. Cash and bank investment agreements are categorized as: 1) insured by federal depository insurance or collateralized by securities held by third parties in the Corporation's name; 2) un-invested in trust and other accounts collateralized with securities held by bank trust departments, but not in the Corporation's name; and 3) uninsured and un-collateralized. Investments are categorized as: 1) insured, registered, or held by the Corporation or its agent in the Corporation's name; 2) uninsured and unregistered, held by the counter party's trust department or agent in the Corporation's name; and 3) uninsured and unregistered investments that are held by a counter party, or by its trust department or agent, but not in the Corporation's name.

The bank balance of the Corporation's cash, bank investment agreements, and investments is categorized below (in thousands):

	Category 1	**Category 2**	**Category 3**	**June 30, 2002**
Cash	$10,817	-	-	$10,817

	Category 1	**Category 2**	**Category 3**	**June 30, 2002**
Bank investment agreements	$-	$160,776	$125,730	$286,506
U.S. Treasury securities	24,835	23,417	-	48,252
Securities of U.S. Government agencies and Corporations	236,812	41,758	-	278,570
Asset-backed securities	36,345	9,182	-	45,527
Certificates of Deposit	15,000	-	-	15,000
Commercial paper & medium term notes	156,522	480,505	-	637,027
Subtotal	469,514	554,862	-	1,024,376
	$469,514	$715,638	$125,730	1,310,882
Investment agreements				195,553
Money market funds				81,442
Total investments				$1,587,877

Restricted Investments

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

	June 30, 2002
Restricted investments	$1,302,922
Unrestricted	284,955
Carrying amount	$1,587,877

Investment Policies

Investments of trusted funds are made under terms of the indenture or agreement which applies to each pool of funds. Permitted investments may differ with each bond issue or other agreement. The Corporation's fiscal policies govern unrestricted funds and securities. The following are eligible for investment thereunder; however, individual indenture or agreement restrictions may not permit all of the following investments in any one pool of funds:

- Obligations of the United States or any agency or instrumentality thereof;
- Debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances of, and deposits with, any bank the short-term obligations of which have been rated at least "A-1" by S&P, "P-1" by Moody's, or "F-1" by Fitch;
- Deposits in and investments of a commercial bank or credit union which are fully insured by the FDIC or NCUA or that provide for the pledge of collateral maintained at a minimum level of 105%;
- Debt obligations, other than those that do not have a fixed par value or terms that do not promise a fixed dollar amount at maturity or call date, rated at least "AA" by S&P, "Aa" by Moody's, or "AA" by Fitch;
- Repurchase Agreements (repos) with a corporation or other entity which has long-term debt ratings of at least "A" by S&P, "A" by Moody's, or "A" by Fitch or short-term ratings of at least "A-1" by S&P, "P-1" by Moody's, or "F-1" by Fitch and where the collateral is maintained at a minimum level of 102%;
- Money market funds which are rated at least "AAm" or "AAm-G" by S&P, "Aa" by Moody's, or "V-1+" by Fitch;
- Investment agreements or guaranteed investment contracts with financial institutions having outstanding unsecured long-term obligations rated, or a claims paying or investment agreement rating, at least "AA" by S&P, "Aa" by Moody's, or "AA" by Fitch;
- Floating rate notes issued by entities having outstanding unsecured long-term obligations rated "AA" by S&P, "Aa" by Moody's, or "AA" by Fitch, and with interest rates subject to adjustment no less frequently than every 90 days, and a maximum maturity of three years or less, or an optional tender available to bondholders no less frequently than every interest rate reset date;
- Adjustable rate funds, provided they are rated "AAAf" credit and "S-1" volatility by S&P and "Aaa" by Moody's;
- International Bank for Reconstruction & Development debt obligations rated "AAA" by S&P, "Aaa" by Moody's, or "AAA" by Fitch.

Investment Term

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

	June 30, 2002
Due in one year or less	$1,359,532
Due after one year through five years	226,330
Due after five years through ten years	-
Due after ten years	2,015
	$1,587,877

Realized Gains and Losses

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

	June 30, 2002
Beginning unrealized gain/loss	$8,768
Ending unrealized gain/loss	8,008
Net change in unrealized gain/loss	(760)
Net realized gains	871
Net increase in Fair Value	$111

5 MORTGAGE LOANS, NOTES AND OTHER LOANS

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

	June 30, 2002
Mortgage loans	$3,374,452
Mortgage-backed Securities issued by the Corporation	70,255
Mobile home loans	3,478
University of Alaska loan	29,905
Other notes receivable	56
	3,478,146
Less:	
Allowance for losses	(104,506)
Net Mortgage loans, notes and other loans	$3,373,640

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

	June 30, 2002
Delinquencies and Foreclosures:	
Loans delinquent 30 days or more	$117,200
Foreclosures during period	3,524
Loans in foreclosure process	6,218
Mortgage-related commitments:	
To purchase mortgage loans	118,396
To repurchase loans upon foreclosure	57,401

6 INSURANCE AGREEMENTS

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

7 INSURANCE PROGRAM FUNDS

The Corporation has three insurance funds for the purpose of insuring itself against losses which might occur as a result of mortgages purchased under the Rural Housing and various other programs. The insurance funds are held in trust by a commercial banking institution and are administered by the management of the Corporation. They are included in the Administrative Fund in the accompanying financial statements.

8 DIRECT FINANCING LEASE

In July, 1997, the Corporation purchased an office building in downtown Anchorage with its administrative account assets for approximately $26 million. The building will be part of the Corporation's State Lease Building Program (the "Program") and has been leased to the State of Alaska for occupancy by its Departments and Agencies located in Anchorage. The State has the option to purchase the building at the end of the lease for $1. In December 1999 the Corporation issued the State Building Lease Bonds, 1999 series in the amount of $40,000,000 to finance the purchase. The lease of the building to the State has been recorded as a direct financing lease.

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

Period Ending June 30	Future Minimum Payments Due
2003	$3,549
2004	3,549
2005	3,549
2006	3,549
2007	3,549
Thereafter	39,045
Gross Payments Due	56,790
Less: Unearned Revenue	(19,093)
Net investment in direct financing lease	$37,697

9 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2002 is shown below (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED:				
Land	$13,112	$776	$(1)	$13,887
Construction in progress	39,939	7,654	(18,656)	28,937
	53,051	8,430	(18,657)	42,824
OTHER CAPITAL ASSETS:				
Buildings	116,553	14,191	(208)	130,536
Computers & Equipment	2,747	100	(36)	2,811
Vehicles	1,458	189	(20)	1,627
	120,758	14,480	(264)	134,974
Less: Accumulated depreciation	(78,190)	(4,297)	3,729	(78,758)
	42,568	10,183	3,465	56,216
Total capital assets, net	$95,619	$18,613	$(15,192)	$99,040

The Corporation is obligated under contracts and other commitments to purchase and/or modernize certain fixed assets. The total commitment, including amounts to be funded by third parties was $6,755,000 at June 30, 2002.

10 BONDS AND NOTES PAYABLE

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

NOTES TO FINANCIAL STATEMENTS

Bonds and notes outstanding are shown in the following schedule (in thousands):

	Original Amount	June 30, 2002
MAJOR FUNDS:		
GENERAL MORTGAGE REVENUE BONDS:		
• **Tax-Exempt:**		
• 1997 Series A, 4.15% to 6.1%, due 2002-2037	$434,911	$426,236
Accreted interest	-	3,833
	434,911	430,069
GOVERNMENT PURPOSE BONDS:		
• **Tax-Exempt:**		
• 2001 Series A, Floating Rate*, 1.25 % at June 30, 2002, due 2030	76,580	75,375
• 2001 Series B, Floating Rate*, 1.33 % at June 30, 2002, due 2030	93,590	92,115
• **Taxable:**		
• 2001 Series C, Floating Rate*, 1.83% at June 30, 2002, due 2032	100,000	99,645
• 2001 Series D, Floating Rate*, 1.85% at June 30, 2002, due 2032	100,000	99,645
	370,170	366,780
STATE CAPITAL PROJECT BONDS:		
• **Tax-Exempt:**		
• 1999 Series B, 4.0% to 5.5%, due 2002-2005	103,980	72,365
Unamortized premium	-	1,284
	103,980	73,649
NON MAJOR FUND S :		
FIRST-TIME HOME BUYER BONDS:		
Collateralized Home Mortgage Bonds (CHMB):		
• **Tax-Exempt:**		
• CHMB 1990 Series A, 5.7% to 7.05%, due 2002-2025	152,000	14,955
Mortgage Revenue Bonds:		
• **Tax-Exempt:**		
• 1996 Series A, 4.40% to 6.5%, due 2002-2027	159,871	77,175
• 1997 Series A, 4.15% to 6.0%, due 2002-2037	160,000	122,105
• 1998 Series A, 3.95% to 5.4%, due 2002-2035	70,000	58,280
• 1999 Series A1 & A2, 4.5% to 6.25%, due 2002-2035	200,000	196,680
• 2000 Series A, 5.9% to 6.0%, due 2036-2040	58,315	41,535
• 2000 Series B, 5.45%, due 2015	3,795	3,795
• 2000 Series C, 4.7% to 6.0%, due 2002-2032	68,785	68,785
• 2001 Series A, 2.5% to 5.3%, due 2002-2031	32,740	32,400
• 2001 Series B, 4.15% to 5.45%, due 2002-2041	104,450	104,450

	Original Amount	June 30, 2002
• 2002 Series A, Floating Rate*, 1.35% at June 30, 2002, due 2032-2036	170,000	170,000
• **Taxable:**		
• 2000 Series D, 7.0% to 7.32%, due 2003-2020	25,740	19,785
• 2002 Series B, Floating Rate*, 1.85% at June 30, 2002, due 2036	30,000	30,000
TOTAL FIRST-TIME HOMEBUYER BONDS	1,235,696	939,945
VETERANS MORTGAGE PROGRAM BONDS:		
Collateralized State Guaranteed Bonds:		
• **Tax-Exempt:**		
• Collateralized Bonds 1991 First Series, 6.75% to 7.3%, due 2004-2033	45,000	2,325
• Collateralized Bonds 1991 Second Series, 6.5% to 7.1%, due 2004-2034	60,000	5,535
• Collateralized Bonds 1992 First Series, 6.25% to 6.75%, due 2005-2034	45,000	10,395
• Collateralized Bonds 1993 First Series, 4.5% to 5.875%, due 2002-2035	65,000	13,160
• Collateralized Bonds 1994 First Series, 5.3% to 6.8%, due 2002-2036	130,000	76,715
• Collateralized Bonds 1995 First Series, 4.6% to 6.55%, due 2002-2037	30,000	12,845
• Collateralized Bonds 1997 First Series, 5.5%, due 2002-2039	100,000	58,195
• Collateralized Bonds 1998 First and Second Series, 4.0% to 5.5%, due 2002-2040	60,000	44,245
• Collateralized Bonds 1999 First Series, 4.3% to 6.25%, due 2002-2039	110,000	91,735
• Collateralized Bonds 2000 First Series, 4.75% to 6.45%, due 2002-2039	70,000	66,830
• Collateralized Bonds 2002 First Series, 2.65% to 5.65%, due 2003-2034	50,000	50,000
TOTAL VETERANS MORTGAGE PROGRAM BONDS	765,000	431,980
OTHER BONDS AND NOTES:		
Housing Development Bonds:		
• **Tax-Exempt:**		
• 1991 Series A, 6.2% to 7.0%, due 2002-2021	5,755	4,875
• 1992 Series A, 6.15% to 7.0%, due 2002-2022	9,370	3,260
• 1993 Series A, 4.25% to 5.625%, due 2002-2023	8,325	7,055
• 1993 Series B, 4.25% to 5.625%, due 2002-2023	4,890	4,215
• 1993 Series C, 4.35% to 5.7%, due 2002-2023	1,200	1,045
• 1997 Series A, 4.15% to 5.7%, due 2002-2029	6,510	6,150
• 1997 Series B, 4.25% to 5.8%, due 2002-2029	17,000	16,080
• 1999 Series A, 4.1% to 6.3%, due 2002-2029	1,675	1,625
• 1999 Series B, 4.2% to 6.37%, due 2002-2029	5,080	4,945

	Original Amount	June 30, 2002
• 1999 Series C,		
4.1% to 6.2%, due 2002-2029	50,000	48,590
• 2000 Series A, Floating Rate*,		
1.4% at June 30, 2002, due 2002-2030	20,745	18,715
• 2000 Series B, Floating Rate*,		
1.30% at June 30, 2002, due 2002-2030	41,705	41,705
• **Taxable:**		
• 1993 Series D,		
5.6% to 7.1%, due 2002-2023	4,675	4,155
• 1993 Series E,		
5.6% to 7.1%, due 2002-2023	12,255	9,745
• 1997 Series C,		
6.8% to 7.55%, due 2002-2029	23,895	22,980
General Mortgage Revenue Bonds:		
• **Tax-Exempt:**		
• 1999 Series A,		
4.25% to 6.05%, due 2002-2049	302,700	299,670
General Housing Purpose Bonds:		
• **Tax-Exempt:**		
• 1992 Series A,		
5.3% to 6.6%, due 2002-2023	200,000	42,415
• 1994 Series A,		
4.0% to 5.4%, due 2002-2023	143,815	139,735
Government Purpose Bonds:		
• **Tax-Exempt:**		
• 1995 Series A,		
4.5% to 5.875%, due 2002-2030	335,000	158,465
• 1997 Series A, Floating Rate*,		
1.4% at June 30, 2002, due 2027	33,000	33,000
State Capital Project Bonds:		
• **Tax-Exempt:**		
• 1999 Series A,		
3.4% to 5.0%, due 2002-2005	92,365	49,955
• 2001 Series A,		
3.2% to 5.25%, due 2002-2007	74,535	73,230
State Building Lease Bonds:		
• **Tax-Exempt:**		
• 1999 Series,		
4.25% to 5.8%, due 2002-2017	40,000	35,835
TOTAL OTHER BONDS AND NOTES	1,434,495	1,027,445
OTHER PROGRAMS:		
Home Ownership Notes:		
• **Tax-Exempt:**		
• Wrangell Project HUD Note,		
1.0%-3.0%, due 2007	1,161	632
TOTAL OTHER PROGRAMS	1,161	632
TOTAL NON MAJOR FUND BONDS	3,436,352	2,400,002
Accreted interest		6,782
Unamortized deferred debt refunding expense		(3,044)
Unamortized discount/premium		(6,685)
TOTAL NET NON MAJOR FUND BONDS	3,436,352	2,397,055
TOTAL BONDS PAYABLE	$4,345,413	$3,267,553

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

Bonds and Notes Payable Activity

The activity for bonds and notes payable for the year ended June 30, 2002 is summarized in the following schedule (in thousands):

	Balance	Additions	Reductions	Balance	Due Within One Year
General Mortgage Revenue Bonds, Series 1997 A	$431,542	$832	$2,305	$430,069	$2,410
Governmental Purpose Bonds, Series 2001 A-D	-	370,170	3,390	366,780	4,735
State Capital Project Bonds, 1999 B	91,621		17,972	73,649	18,735
Other Non-Major Bonds	2,374,861	390,939	368,745	2,397,055	48,490
	$2,898,024	$761,941	$392,412	$3,267,553	$74,370

Debt Service Requirements

Debt service requirements at June 30, 2002, related to all mortgage bonds and notes in the preceding schedule, are shown below (in thousands):

Period Ending June 30	Principal	Interest*	Total
2003	$74,370	$167,145	$241,515
2004	79,956	163,153	243,109
2005	84,116	159,159	243,275
2006	88,852	154,652	243,504
2007	64,008	150,826	214,834
Total Fiscal Year 2003-2007	391,302	794,935	1,186,237
2008-2012	259,414	713,780	973,194
2013-2017	366,465	630,569	997,034
2018-2022	449,476	567,705	1,017,181
2023-2027	467,377	435,308	902,685
2028-2032	617,098	305,612	922,710
2033-2037	502,386	180,188	682,574
2038-2042	132,830	39,857	172,687
2043-2047	54,750	16,520	71,270
2048-2049	24,285	1,835	26,120
	$3,265,383	$3,686,309	$6,951,692

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at June 30, 2002.

Redemption Provisions

The bonds and notes are generally subject to certain early-redemption provisions, both mandatory and at the option of the Corporation. The Corporation redeems debt, pursuant to the provisions of the related agreements which permit surplus revenues, resulting primarily from mortgage loan prepayments, to be used to retire the obligations at par. The Corporation also issues new debt whose proceeds are used to immediately redeem previously issued debt, called current refundings. The accelerated amortization of related discounts and costs of issuance resulting from these surplus revenue redemptions is included in interest expense and financing costs.

Principal Redemptions

	June 30, 2002
Surplus Revenue Redemptions	$157,140
Current Refundings	171,515
	$328,655

Defeased Debt
From time to time, the Corporation effects an advanced refunding where bonds are issued, the proceeds of which are used to defease outstanding debt of the Corporation. The result is an in-substance defeasance whereby the Corporation purchases securities which are deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. The Corporation's defeased debt at June 30, 2002 is $120,980 for General Housing Revenue Bonds, 1992 Series A.

Conduit Debt
From time to time, the Corporation has issued debt to provide financial assistance to private-sector entities for the acquisition or construction of facilities deemed to be in the public interest. The bonds are secured by the properties financed and are payable solely from rents and payments received on the underlying mortgage loans. Neither the Corporation nor the State are obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in the accompanying financial statements. A summary of the conduit bonds outstanding is shown below (in thousands):

	June 30, 2002
Mortgage Revenue Refunding Bonds:	
• Chinook Apartments	$2,065
• Coho Park Apartments	2,245
	$4,310

Interest Rate Swap
In August, 2001, the Corporation entered into interest rate swap agreements (the "Agreements") with two counter-parties related to the $170,170,000 Governmental Purpose Bonds, 2001 Series A and B. The purpose of the interest rate swap agreements is to reduce the Corporation's overall cost of borrowing long-term capital. Under the Agreements, the Corporation pays a fixed rate of interest equal to 4.14% of the notional amount of the swap in exchange for a variable rate payment from the counter-parties. The notional amount amortizes over a time-period that approximates the payments the Corporation would experience with a fixed-rate, level debt service schedule. The Corporation has the right to terminate the agreement at any time with 30 days notice and the payment of a termination fee. There are several additional risks the Corporation assumed in connection with the Agreements, including counter-party risk, basis risk, and tax risk. The notional amount of the swap agreements were the same as the outstanding bond balance of $167,490,000 at June 30, 2000.

In May, 2002, the Corporation entered into an interest rate swap agreement relating to the $170,000,000 Mortgage Revenue Bonds, 2002 Series A. Under this agreement, the Corporation pays to the swap counter party a fixed rate of 4.103% on $50,000,000 principal in Series A-1 and a fixed rate of 4.343% on $120,000,000 of principal in series A-2. The swap counter party pays a variable rate, which approximates that received by the bondholders. The Corporation has the right to terminate the swap agreement associated with Series A-2 at any time with 30 days notice and the payment of a termination fee. The swap agreement associated with Series A-1 is not eligible for early termination. The notional amount of the swap agreements were the same as the outstanding bond balance of $170,000,000 at June 30, 2002.

11 SHORT TERM DEBT

The Corporation has a commercial paper program. No individual issue may exceed nine months in duration. The maximum aggregate outstanding principal balance authorized by the Board of Directors is $150,000,000. A summary of commercial paper, which represents an unsecured general obligation of the Corporation, is shown below (in thousands):

	June 30, 2002
Maturity amount	$108,700
Less: Discounts	(159)
Balance outstanding	$108,541
Yields issued during period:	
Lowest	1.8000%
Highest	3.7700%

12 OTHER LIABILITIES

The activity for other noncurrent liabilities for the year ended June 30, 2002 is summarized in the following schedule (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued interest payable	$16,422	$19,164	$21,333	$14,253	$14,253
Other liabilities	25,582	783,805	791,869	17,518	16,477
	$42,004	$802,969	$813,202	$31,771	$30,730

The Corporation's liability for compensated absences is included in the Other Liabilities amount above. This accrued liability for unpaid, accumulated employee leave at June 30, 2002 was $2,353,232.

13 UNUSED LETTERS OF CREDIT AND OTHER CREDIT ARRANGEMENTS

For certain bond issues, the Corporation has entered into credit arrangements with various financial institutions to provide funds necessary to satisfy debt service or unpaid bond principal obligations. Varying commitment fees are required, generally ¼ to ½ of 1% per annum of the aggregate liability or commitment amount. The Corporation had unused letters of credit and similar credit enhancement agreements in connection with amounts required for debt service or unpaid bond principal for certain bond issues as shown below (in thousands):

	June 30, 2002
Liquidity facility	$566,780
Bond insurance	1,817,286
	$2,384,066

On July 26, 2001, the Corporation entered a liquidity facility swap agreement with a counter-party for up to $370,000,000 relating to the Government Purpose Bonds 2001 Series A-D. The Corporation has an option to renew the agreement annually. The amount is reflected in the table above.

The Corporation also has reestablished in August 1999 a $150,000,000 Credit Agreement that is not related to a specific bond issue. At June 30, 2002 no draw downs had been made on the Credit Agreement.

Government Purpose Bonds, 1995 Series A are insured by surety bonds. The agreement unconditionally and irrevocably guarantees scheduled payments of principal and interest on the bonds.

Certain letter-of-credit agreements contain covenants restricting the amendment of terms and redemption of bonds or notes, and setting the minimum combined fund equity of the Corporation and minimum debt-service reserve-fund balances.

14 YIELD RESTRICTION AND ARBITRAGE REBATE

Most mortgages purchased with the proceeds of tax-exempt bonds issued by the Corporation are subject to interest-rate yield restrictions of 1.125% to 1.500% over the yield of the bonds. These restrictions are in effect over the lives of the bonds. Most of the non-mortgage investments made under the Corporation's tax-exempt bond programs are subject to rebate provisions or restricted as to yields. The rebate provisions require that a calculation be performed every five years and upon full retirement of the bonds to determine the amount, if any, of excess yield earned and owed the Internal Revenue Service. Following is a summary of excess earnings recorded and paid (in thousands):

	June 30, 2002
Arbitrage Expense	$(2,626)
Arbitrage Paid	$93

15 STATE AUTHORIZATIONS AND COMMITMENTS

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

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

The projected amounts stated in the legislative intent language were based on the Corporation's financial operating plan and represent the total amount of anticipated State transfers and capital expenditures rather than projected "net income". A summary of State Authorizations is shown below (in thousands):

	Total State Authorizations	Payments To-Date	Total Remaining Commitments
FY 1995*	$22,500	$22,493	$7
FY 1996*	128,033	126,002	2,031
FY 1997	100,448	97,541	2,907
FY 1998	132,013	123,379	8,634
FY 1999	103,000	94,660	8,340
FY 2000*	105,168	88,307	16,861
FY 2001*	103,107	69,863	33,244
FY 2002	103,000	55,026	47,974
Total	$797,269	$677,271	$119,998

* With re-appropriations

State Capital Projects Bonding

The 1998 Legislature adopted legislation authorizing approximately $224 million in capital project bonds of the Corporation to finance projects of the State and municipalities. The legislation states the intention that the sum of withdrawals for repayment of bonds, for transfer to the State's general fund, and for corporate funded capital projects should not exceed the Corporation's net income for the preceding year. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

The 2000 Legislature adopted legislation authorizing the issuance of Bonds in sufficient amounts to fund the construction of various State capital projects, and extended the Transfer Plan to 2008. The Corporation views passage of the 1998 and 2000 legislation as a continuation of the plan of the legislature, stated in its legislative intent in 1995, to authorize $103 million annually to the year 2008.

As of June 30, 2002, the Corporation has issued $196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, of which, $122,320,000 remains outstanding and $74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, of which $73,230,000 remains outstanding. Issuance authority under the Acts has been completed.

The State Capital Projects Bonds carry a deficit net asset position in the financial statements, resulting from the transfer of bond proceeds to other governmental entities. The bonds were issued as general obligations of the Corporation. Payments of principal and interest on the State Capital Projects Bonds will be funded from the Corporation's Administrative Fund, as debt service becomes due.

Payments to the State of Alaska

Since the inception of the Corporation, the State has contributed a total of $1,069,523,000 to the Corporation. Beginning in fiscal year 1986, the Corporation began a series of plans to pay out funds to or on behalf of the State. Following is a summary of the different types of payments (in thousands):

	June 30, 2002	**Cumulative Prior Fiscal Years**	**Total Payments to State**
State Debt Repayment	$-	$29,800	$29,800
Asset Purchases	-	252,300	252,300
Dividends	-	114,300	114,300
Direct Cash Transfers	6,000	468,027	474,027
Non-Housing Capital Projects	30,272	152,550	182,822
State Capital Project Bond Fund	49,290	111,694	160,984
Total	$85,562	$1,128,671	$1,214,233

16 GRANTS

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

Program	June 30, 2002
General Account of the Revolving Fund:	
• Homeless Assistance Program	$357
• Senior Citizens Housing	748
• Supplemental Housing	3,380
• Supportive Housing Grant Match	544
• Others	101
	5,130
Energy Programs:	
• Energy Efficiency Monitoring Research.	255
• Enhanced Weatherization	350
• Rural Community Action Program	260
• Low-Income Weatherization Assistance	4,047
• Others	51
	4,963
Section 8 Vouchers and Contract Administration	19,659
Other Housing Assistance Programs:	
• HOME Program	3,508
• Section 8 Contract Administration	5,166
• Drug Elimination Program	365
• Housing Opportunities for Persons with AIDS	414
• Shelter Plus Care Program	84
• Others	231
	9,768
Total Housing Grant Expenses	$39,520
General Account of the Revolving Fund:	
• Benefit Special Needs Housing	$1,112
• Pioneer Homes Renovation	638
• Others	70
• Village Safe Water Grants Program—FY 99 Appro.	10,742
• University of Alaska—FY 99 Appro.	692
• Municipal Matching Grants—FY 98 Appro.	1,776
• Municipal Matching Grants—FY 99 Appro.	10,253
• FY 98 Legislative Appropriations---Others	809
• FY 99 Legislative Appropriations—Others	558
• FY 00 Legislative Appropriation	749
• FY 01 Legislative Appropriation	1,488
• FY 02 Legislative Appropriation	1,385
Total Non-Housing Capital Project Grants	$30,272
Total Grants	**$69,792**

In addition to grant payments made, the Corporation has advanced grant funds of $12,045,000 and committed to third parties a sum of $12,060,000 in grant awards at June 30, 2002.

17 OTHER PROGRAMS

Other programs include energy conservation and public-housing activities funded from a combination of corporate receipts and external sources.

Energy Conservation Programs
The Petroleum Violation Escrow Program (PVE) includes the activities funded from the State of Alaska's share of settlement proceeds received as a result of various lawsuits between the federal government and oil producers. The Corporation holds these funds in trust, to be used for qualifying energy conservation activities under the U.S. Department of Energy's oversight.

The Supplemental Housing and Senior Housing Programs are funded entirely by corporate funds.

The weatherization programs include the following programs and are funded by a combination of DOE grants, PVE funds, and corporate funds:

- Low-Income Weatherization Program
- Residential Energy Rehab Program (Enhanced Weatherization)

Other energy programs include the following programs and are funded by a combination of DOE grants, PVE funds, HHS grants, and corporate funds:

- State Energy Conservation Program
- Low-Income Home Energy Assistance Program (LIHEAP)
- Weatherization Assistance for Low-Income Persons (AKWarm Enhancement)
- Mental Health
- Adult Education
- Alaska Native Health Board Grant
- Association of Alaska Housing Authorities Grant

The following projects are or have been funded within the Petroleum Violation Escrow Program:

- Low-Income Weatherization Enhancement
- Energy Rated Homes of Alaska
- Business Energy Assistance
- Home Energy Rebates
- Home Energy Loan Program
- Warm Homes for Alaskans
- Alaska Craftsman Home Program

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

- Modernization/Comprehensive Grant
- Low Rent Management

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

- Section 8 Vouchers
- Section 8 Moderate Rehabilitation

Section 8 Program consists of Corporate owned low-income housing facilities at various locations and the Wrangell 221(d)(3) housing facility, for which the Corporation receives tenant-based rental assistance under contract with HUD, and administration of HUD contracts directly with landlords:

- Section 8 New Construction
- Section 8 Contract Administration
- Wrangell Multi-Family

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

- HOME Investment Partnerships Program (HOME)
- Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)
- Gateway Literacy Program
- Drug Elimination Grant
- Shelter Plus Care Program
- Housing Opportunities for Persons with AIDS (HOPWA)
- HOME Technical Assistance
- Youth Sports Program
- Family Self Sufficiency Program (FSS)
- Family Investment Center Grant
- Special Needs Assistance
- Supportive Housing Technical Assistance
- Service Coordinator for Public Housing Agencies Grant
- Turnkey III

18 PENSION PLAN

As of June 30, 2002, all regular employees of the Corporation who work more than fifteen hours per week participate in the Alaska Public Employees' Retirement System (PERS). PERS is an agent multiple-employer, statewide defined benefit plan, administered by the State of Alaska. Benefits and contributions provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by state legislature. A publicly available financial report that includes financial statements and required supplementary information is issued annually by PERS. That report may be obtained by writing to State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0202.

Plan Description

Employees hired prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For employees hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. The normal pension benefit is equal to 2% of the member's three-year highest average monthly compensation for the first ten years of service, 2¼% for the second ten years of service and 2½% for all remaining years of service. All service earned prior to July 1, 1986 will be calculated using the 2% multiplier. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. The system also provides death and disability benefits and major medical benefits.

Funding Policy

Under State law, covered employees are required to contribute 6¾% of their annual covered salary and the Corporation is required to contribute an actuarially determined rate; the current rate is 6.76% of annual covered payroll.

Annual Pension Cost

The Corporation's annual pension and postretirement health cost shown below was equal to the required and actual contribution. The actuarial required contribution was computed as part of an actuarial valuation as of June 30, 2001. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 8.25% per year compounded annually and (b) projected salary increases of 5.5% a year for the first five years of employment and 4.5% per year thereafter, with distinction made between amounts for inflation (4.0%), merit (1.0%), and productivity (0.5%). The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five year period. The contribution rate for normal cost is determined using the projected unit credit actuarial funding method. The excess of assets over the actuarial accrued liability is amortized over a rolling 25 years which is an open amortization period. The percentage of pay method is used for amortization purposes.

Three-Year Trend Information for PERS (in thousands):

Year Ended	Annual Pension and Postretirement Health Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	$975,000	100.00%	-
June 30, 2001	1,040,000	100.00%	-
June 30, 2000	830,000	100.00%	-

Schedule of Funding Progress for PERS (in thousands):

Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a)-(b)	Funded Ratio (a)/(b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll ((a)-(b))/(c)
Pension:						
June 30, 2001	35,962	26,272	9,690	137%	13,636	71%
June 30, 1999	30,462	19,060	11,402	160%	12,789	89%
June 30, 1998	28,986	26,335	2,651	110%	12,329	22%
Postretirement Health:						
June 30, 2001	15,227	11,124	4,103	137%	13,636	30%
June 30, 1999	12,349	7,727	4,622	160%	12,789	36%
June 30, 1998	10,763	9,779	984	110%	12,329	8%

* No actuarial valuation was done for year ended June 30, 2000.

19 OTHER COMMITMENTS AND CONTINGENCIES

Medical Self Insurance

During the Fiscal Year ended June 30, 1998, the Corporation began a program of self-insurance for employee medical benefits. Costs are billed directly to the Corporation by an Administrative Services Provider that processes all of the claims from the employees and their dependents. The Corporation has purchased a stop-loss policy that limits its liability to $50,000 per employee per year. The Corporation has provided for an estimate of the Incurred But Not Reported (IBNR) liability in the amount of $1,030,000 as of June 30, 2002.

Litigation

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

Contingent Liabilities

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

Subsequent Events

The Corporation, on September 5, 2002, in the normal course of activities, issued $125,000,000 in Housing Development Bonds, 2002 Series A, B, C and D. The 2002 Series A bonds mature on December 1, 2033, the 2002 Series B bonds mature on June 1, 2022 and the 2002 Series C bonds mature on December 1, 2032. The 2002 Series A-C bonds will bear interest at fixed rates of 1.6% to 5.3%. The 2002 Series D bonds mature on June 1, 2037 and initially will bear interest at a weekly rate; however, the Corporation has the option to convert all or portion of the variable rate bonds on any Effective Rate Date to fixed interest rates or an indexed rate.

The Corporation, on October 15, 2002, in the normal course of activities, issued $150,000,000 in General Mortgage Revenue Bonds, 2002 Series A. The bonds mature on June 1, 2040 and will bear coupon interest at fixed rates of 3.45% to 5.00%.

The Corporation continues to issue and redeem commercial paper under the domestic Commercial Paper Program, in the normal course of activities after June 30, 2002.

20 SPECIAL ITEMS

During the fiscal year ended June 30, 2002, the Corporation closed the inactive Mutual Help Program. This action resulted in the write off of the remaining assets and liabilities of the program and a special item net amount of $2,035,000 on the Statement of Revenues, Expenses and Changes in Net Assets.

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ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
COMBINED - ALL FUNDS
As of June 30, 2002
(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds	Combined Other Housing Bonds	Combined Non-Housing Bonds
ASSETS					
Current					
Cash	3,100	499	398	869	716
Investments	421,756	51,343	29,131	92,766	38,167
Accrued interest receivable	4,898	5,080	3,065	10,414	1,532
Mortgage loans, notes and other loans	11,547	20,535	11,885	41,189	-
Net investment in direct financing lease	-	-	-	-	1,533
Other assets	1,079	379	-	865	-
Intergovernmental receivable	-	-	-	-	-
Total Current	442,380	77,836	44,479	146,103	41,948
Non-Current					
Investments	-	159,983	84,562	597,771	82,304
Mortgage loans, notes and other loans, net of allowance	579,063	863,355	512,689	1,333,377	-
Net investment in direct financing lease	-	-	-	-	36,164
Unamortized bond issuance costs	-	7,989	4,913	12,866	2,337
Capital assets, net	571	-	-	-	-
Other assets	1,459	-	-	-	-
Total Non-Current	581,093	1,031,327	602,164	1,944,014	120,805
Total Assets	1,023,473	1,109,163	646,643	2,090,117	162,753
LIABILITIES					
Current					
Bonds and notes payable	-	10,810	3,165	17,950	42,420
Short term debt	108,541	-	-	-	-
Accrued interest payable	165	3,767	2,162	6,852	1,287
Other liabilities	5,774	1,062	785	5,641	15
Intergovernmental payable	5	-	-	-	5,416
Total Current	114,485	15,639	6,112	30,443	49,138
Noncurrent					
Bonds and notes payable, net of current portion	-	934,844	427,238	1,636,566	193,928
Other liabilities	342	-	-	-	588
Total Non-Current	342	934,844	427,238	1,636,566	194,516
Total Liabilities	114,827	950,483	433,350	1,667,009	243,654
NET ASSETS					
Invested in capital assets, net of related debt	571	-	-	-	-
Restricted by bond resolutions	-	158,680	213,293	405,439	1,671
Restricted by contractual or statutory agreements	615,061	-	-	17,669	-
Unrestricted net assets, (deficit)	293,014	-	-	-	(82,572)
Total Net Assets (deficit)	908,646	158,680	213,293	423,108	(80,901)

Combined Other Programs	Combined Total
3,926	9,508
29,772	662,935
26	25,015
-	85,156
-	1,533
16,872	19,195
618	618
51,214	803,960
322	924,942
-	3,288,484
-	36,164
-	28,105
98,469	99,040
-	1,459
98,791	4,378,194
150,005	5,182,154
25	74,370
-	108,541
20	14,253
3,200	16,477
3,058	8,479
6,303	222,120
607	3,193,183
111	1,041
718	3,194,224
7,021	3,416,344
97,837	98,408
-	779,083
45,147	677,877
-	210,442
142,984	1,765,810

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ALASKA HOUSING FINANCE CORPORATION ***Schedule 2***

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

REVOLVING FUNDS

As of June 30, 2002

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Housing Assistance Loan Fund	Combined Total
ASSETS				
Current				
Cash	2,762	61	277	3,100
Investments	404,932	8,543	8,281	421,756
Accrued interest receivable	2,510	5	2,383	4,898
Mortgage loans, notes and other loans	1,533	70	9,944	11,547
Net investment in direct financing lease	-	-	-	-
Other assets	586	-	493	1,079
Intergovernmental receivable		-	-	-
Total Current	412,323	8,679	21,378	442,380
Non-Current				
Investments	-	-	-	-
Mortgage loans, notes and other loans, net of allowance	113,402	505	465,156	579,063
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	-	-
Capital assets, net	571	-	-	571
Other assets	1,459	-	-	1,459
Total Non-Current	115,432	505	465,156	581,093
Total Assets	527,755	9,184	486,534	1,023,473
LIABILITIES				
Current				
Bonds and notes payable	-	-	-	-
Short term debt	108,541	-	-	108,541
Accrued interest payable	165	-	-	165
Other liabilities	5,133	14	627	5,774
Intergovernmental payable	5	-	-	5
Total Current	113,844	14	627	114,485
Noncurrent				
Bonds and notes payable, net of current portion	-	-	-	-
Other liabilities	328	-	14	342
Total Non-Current	328	-	14	342
Total Liabilities	114,172	14	641	114,827
NET ASSETS				
Invested in capital assets, net of related debt	571	-	-	571
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	119,998	9,170	485,893	615,061
Unrestricted net assets, (deficit)	293,014	-	-	293,014
Total Net Assets (deficit)	413,583	9,170	485,893	908,646

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
FIRST TIME HOMEBUYER BONDS
As of June 30, 2002
(in thousands of dollars)

	Collateralized Home Mortgage Bonds 1988 A	Collateralized Home Mortgage Bonds 1989 B	Collateralized Home Mortgage Bonds 1990 A	Mortgage Revenue Bonds 1996 A	Mortgage Revenue Bonds 1997 A
ASSETS					
Current					
Cash	-	-	8	65	111
Investments	-	-	1,056	7,538	9,074
Accrued interest receivable	-	-	124	563	750
Mortgage loans, notes and other loans	-	-	487	2,545	2,574
Net investment in direct financing lease	-	-	-	-	-
Other assets	-	-	-	185	160
Intergovernmental receivable	-	-	-	-	-
Total Current	-	-	1,675	10,896	12,669
Non-Current					
Investments	-	-	7,776	19,804	12,885
Mortgage loans, notes and other loans, net of allowance	-	-	19,094	80,356	126,881
Net investment in direct financing lease	-	-	-	-	-
Unamortized bond issuance costs	-	-	581	906	1,104
Capital assets, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total Non-Current	-	-	27,451	101,066	140,870
Total Assets	-	-	29,126	111,962	153,539
LIABILITIES					
Current					
Bonds and notes payable	-	-	185	3,520	3,145
Short term debt	-	-	-	-	-
Accrued interest payable	-	-	73	335	494
Other liabilities	-	-	19	125	213
Intergovernmental payable	-	-	-	-	-
Total Current	-	-	277	3,980	3,852
Noncurrent					
Bonds and notes payable, net of current portion	-	-	14,770	76,866	122,114
Other liabilities	-	-	-	-	-
Total Non-Current	-	-	14,770	76,866	122,114
Total Liabilities	-	-	15,047	80,846	125,966
NET ASSETS					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted by bond resolutions	-	-	14,079	31,116	27,573
Restricted by contractual or statutory agreements	-	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-	-
Total Net Assets (deficit)	-	-	14,079	31,116	27,573

Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D	Mortgage Revenue Bonds 2001 A,B	Home Mortgage Revenue Bonds 2002 A,B	Combined Total
35	105	102	44	29	499
3,440	14,201	8,330	7,704	-	51,343
326	1,095	850	650	722	5,080
1,180	4,081	5,548	2,241	1,879	20,535
-	-	-	-	-	-
-	-	-	-	34	379
-	-	-	-	-	-
4,981	19,482	14,830	10,639	2,664	77,836
6,218	11,725	11,221	2,250	88,104	159,983
58,424	190,824	129,973	130,336	127,467	863,355
-	-	-	-	-	-
691	1,428	1,390	1,120	769	7,989
-	-	-	-	-	-
-	-	-	-	-	-
65,333	203,977	142,584	133,706	216,340	1,031,327
70,314	223,459	157,414	144,345	219,004	1,109,163
435	2,710	205	610	-	10,810
-	-	-	-	-	-
251	957	677	591	389	3,767
75	235	207	106	82	1,062
-	-	-	-	-	-
761	3,902	1,089	1,307	471	15,639
57,845	193,848	133,075	136,326	200,000	934,844
-	-	-	-	-	-
57,845	193,848	133,075	136,326	200,000	934,844
58,606	197,750	134,164	137,633	200,471	950,483
-	-	-	-	-	-
11,708	25,709	23,250	6,712	18,533	158,680
-	-	-	-	-	-
-	-	-	-	-	-
11,708	25,709	23,250	6,712	18,533	158,680

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

As of June 30, 2002

(in thousands of dollars)

	Collateralized Bonds 1989 First Series	Collateralized Bonds 1990 First Series	Collateralized Bonds 1991 First Series	Collateralized Bonds 1991 Second Series	Collateralized Bonds 1992 First Series
ASSETS					
Current					
Cash	-	-	19	28	8
Investments	-	-	165	376	692
Accrued interest receivable	-	-	23	60	96
Mortgage loans, notes and other loans	-	-	70	223	311
Net investment in direct financing lease	-	-	-	-	-
Other assets	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Total Current	-	-	277	687	1,107
Non-Current					
Investments	-	-	760	1,185	9,156
Mortgage loans, notes and other loans, net of allowance	-	-	2,516	8,404	13,905
Net investment in direct financing lease	-	-	-	-	-
Unamortized bond issuance costs	-	-	135	265	302
Capital assets, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total Non-Current	-	-	3,411	9,854	23,363
Total Assets	-	-	3,688	10,541	24,470
LIABILITIES					
Current					
Bonds and notes payable	-	-	-	-	-
Short term debt	-	-	-	-	-
Accrued interest payable	-	-	14	31	58
Other liabilities	-	-	30	45	17
Intergovernmental payable	-	-	-	-	-
Total Current	-	-	44	76	75
Noncurrent					
Bonds and notes payable, net of current portion	-	-	2,185	5,420	10,197
Other liabilities	-	-	-	-	-
Total Non-Current	-	-	2,185	5,420	10,197
Total Liabilities	-	-	2,229	5,496	10,272
NET ASSETS					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted by bond resolutions	-	-	1,459	5,045	14,198
Restricted by contractual or statutory agreements	-	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-	-
Total Net Assets (deficit)	-	-	1,459	5,045	14,198

Schedule 4

Collateralized Bonds 1993 First Series	Collateralized Bonds 1994 First Series	Collateralized Bonds 1995 First Series	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series	Collateralized Bonds 2002 First Series	Combined Total
21	62	6	60	51	84	41	18	398
959	5,767	922	3,725	2,746	6,341	4,757	2,681	29,131
102	622	105	437	300	619	456	245	3,065
1,409	3,182	413	1,389	1,072	1,850	1,242	724	11,885
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,491	9,633	1,446	5,611	4,169	8,894	6,496	3,668	44,479
11,873	9,126	6,756	10,533	10,918	13,050	4,189	7,016	84,562
15,611	101,401	15,675	73,144	51,290	107,048	77,084	46,611	512,689
-	-	-	-	-	-	-	-	-
337	755	211	704	387	1,006	553	258	4,913
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
27,821	111,282	22,642	84,381	62,595	121,104	81,826	53,885	602,164
30,312	120,915	24,088	89,992	66,764	129,998	88,322	57,553	646,643
220	630	100	495	380	780	560	-	3,165
-	-	-	-	-	-	-	-	-
61	428	69	269	196	463	350	223	2,162
38	128	15	118	98	166	89	41	785
-	-	-	-	-	-	-	-	-
319	1,186	184	882	674	1,409	999	264	6,112
12,482	75,687	12,678	57,700	43,664	90,955	66,270	50,000	427,238
-	-	-	-	-	-	-	-	-
12,482	75,687	12,678	57,700	43,664	90,955	66,270	50,000	427,238
12,801	76,873	12,862	58,582	44,338	92,364	67,269	50,264	433,350
-	-	-	-	-	-	-	-	-
17,511	44,042	11,226	31,410	22,426	37,634	21,053	7,289	213,293
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
17,511	44,042	11,226	31,410	22,426	37,634	21,053	7,289	213,293

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
OTHER HOUSING BONDS
As of June 30, 2002
(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Housing Purpose Bonds 1992 A & 1994 A
ASSETS					
Current					
Cash	3	81	150	216	71
Investments	5,662	10,814	27,164	19,292	13,594
Accrued interest receivable	85	1,313	2,228	1,353	1,060
Mortgage loans, notes and other loans	143	3,473	4,782	6,486	3,576
Net investment in direct financing lease	-	-	-	-	-
Other assets	-	17	108	114	89
Intergovernmental receivable	-	-	-	-	-
Total Current	5,893	15,698	34,432	27,461	18,390
Non-Current					
Investments	-	4,063	260,735	96,860	10,574
Mortgage loans, notes and other loans, net of allowance	11,781	182,733	202,893	292,671	164,806
Net investment in direct financing lease	-	-	-	-	-
Unamortized bond issuance costs	-	1,874	2,933	2,284	1,511
Capital assets, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total Non-Current	11,781	188,670	466,561	391,815	176,891
Total Assets	17,674	204,368	500,993	419,276	195,281
LIABILITIES					
Current					
Bonds and notes payable	-	2,330	2,410	1,570	4,535
Short term debt	-	-	-	-	-
Accrued interest payable	-	830	2,063	1,477	825
Other liabilities	5	175	4,273	327	177
Intergovernmental payable	-	-	-	-	-
Total Current	5	3,335	8,746	3,374	5,537
Noncurrent					
Bonds and notes payable, net of current portion	-	192,746	427,659	293,736	175,061
Other liabilities	-	-	-	-	-
Total Non-Current	-	192,746	427,659	293,736	175,061
Total Liabilities	5	196,081	436,405	297,110	180,598
NET ASSETS					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted by bond resolutions	-	8,287	64,588	122,166	14,683
Restricted by contractual or statutory agreements	17,669	-	-	-	-
Unrestricted net assets, (deficit)	-	-	-	-	-
Total Net Assets (deficit)	17,669	8,287	64,588	122,166	14,683

Governmental Purpose Bonds 1995 A	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
135	-	213	869
11,505	-	4,735	92,766
1,905	280	2,190	10,414
9,466	1,086	12,177	41,189
-	-	-	-
160	-	377	865
-	-	-	-
23,171	1,366	19,692	146,103
91,160	3,642	130,737	597,771
165,117	28,819	284,557	1,333,377
-	-	-	-
2,378	248	1,638	12,866
-	-	-	-
-	-	-	-
258,655	32,709	416,932	1,944,014
281,826	34,075	436,624	2,090,117
2,370	-	4,735	17,950
-	-	-	-
761	36	860	6,852
263	5	416	5,641
-	-	-	-
3,394	41	6,011	30,443
152,319	33,000	362,045	1,636,566
-	-	-	-
152,319	33,000	362,045	1,636,566
155,713	33,041	368,056	1,667,009
-	-	-	-
126,113	1,034	68,568	405,439
-	-	-	17,669
-	-	-	-
126,113	1,034	68,568	423,108

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ALASKA HOUSING FINANCE CORPORATION

Schedule 6

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

NON-HOUSING BONDS

As of June 30, 2002

(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Building Lease Bonds 1999	Combined Total
ASSETS					
Current					
Cash	-	358	358	-	716
Investments	-	22,499	12,110	3,558	38,167
Accrued interest receivable	-	629	901	2	1,532
Mortgage loans, notes and other loans	-	-	-	-	-
Net investment in direct financing lease	-	-	-	1,533	1,533
Other assets	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Total Current	-	23,486	13,369	5,093	41,948
Non-Current					
Investments	-	31,421	48,810	2,073	82,304
Mortgage loans, notes and other loans, net of allowance	-	-	-	-	-
Net investment in direct financing lease	-	-	-	36,164	36,164
Unamortized bond issuance costs	680	670	506	481	2,337
Capital assets, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total Non-Current	680	32,091	49,316	38,718	120,805
Total Assets	680	55,577	62,685	43,811	162,753
LIABILITIES					
Current					
Bonds and notes payable	13,415	18,735	8,620	1,650	42,420
Short term debt	-	-	-	-	-
Accrued interest payable	205	314	291	477	1,287
Other liabilities	3	4	4	4	15
Intergovernmental payable	-	-	-	5,416	5,416
Total Current	13,623	19,053	8,915	7,547	49,138
Noncurrent					
Bonds and notes payable, net of current portion	38,370	54,914	66,639	34,005	193,928
Other liabilities	-	-	-	588	588
Total Non-Current	38,370	54,914	66,639	34,593	194,516
Total Liabilities	51,993	73,967	75,554	42,140	243,654
NET ASSETS					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted by bond resolutions	-	-	-	1,671	1,671
Restricted by contractual or statutory agreements	-	-	-	-	-
Unrestricted net assets, (deficit)	(51,313)	(18,390)	(12,869)	-	(82,572)
Total Net Assets (deficit)	(51,313)	(18,390)	(12,869)	1,671	(80,901)

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
OTHER PROGRAM FUNDS
As of June 30, 2002
(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
ASSETS				
Current				
Cash	-	783	453	2,114
Investments	1,400	11,369	16,295	-
Accrued interest receivable	1	10	14	-
Mortgage loans, notes and other loans	-	-	-	-
Net investment in direct financing lease	-	-	-	-
Other assets	1,084	844	39	698
Intergovernmental receivable	505	-	-	-
Total Current	2,990	13,006	16,801	2,812
Non-Current				
Investments	-	-	-	-
Mortgage loans, notes and other loans, net of allowance	-	-	-	-
Net investment in direct financing lease	-	-	-	-
Unamortized bond issuance costs	-	-	-	-
Capital assets, net	-	86,365	11,811	98
Other assets	-	-	-	-
Total Non-Current	-	86,365	11,811	98
Total Assets	2,990	99,371	28,612	2,910
LIABILITIES				
Current				
Bonds and notes payable	-	-	25	-
Short term debt	-	-	-	-
Accrued interest payable	-	-	20	-
Other liabilities	79	2,148	319	354
Intergovernmental payable	-	-	-	-
Total Current	79	2,148	364	354
Noncurrent				
Bonds and notes payable, net of current portion	-	-	607	-
Other liabilities	1	49	16	16
Total Non-Current	1	49	623	16
Total Liabilities	80	2,197	987	370
NET ASSETS				
Invested in capital assets, net of related debt	-	86,365	11,179	98
Restricted by bond resolutions	-	-	-	-
Restricted by contractual or statutory agreements	2,910	10,809	16,446	2,442
Unrestricted net assets, (deficit)	-	-	-	-
Total Net Assets (deficit)	2,910	97,174	27,625	2,540

Other Programs	Combined Total
576	3,926
708	29,772
1	26
-	-
-	-
14,207	16,872
113	618
15,605	51,214
322	322
-	-
-	-
-	-
195	98,469
-	-
517	98,791
16,122	150,005
-	25
-	-
-	20
300	3,200
3,058	3,058
3,358	6,303
-	607
29	111
29	718
3,387	7,021
195	97,837
-	-
12,540	45,147
-	-
12,735	142,984

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

COMBINED - ALL FUNDS

For the Year Ended June 30, 2002

(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds	Combined Other Housing Bonds	Combined Non-Housing Bonds
OPERATING REVENUES					
Mortgage and loans revenue	42,226	51,257	35,790	93,173	-
Investment interest	16,992	6,563	6,247	31,127	9,513
Net change in the fair value of investments	501	(11)	(6)	(20)	(355)
Total Investment Revenue	17,493	6,552	6,241	31,107	9,158
Externally funded program	-	-	-	-	-
Rental	-	-	-	-	-
Other	1,261	66	16	22	-
Total Operating Revenues	60,980	57,875	42,047	124,302	9,158
OPERATING EXPENSES					
Interest	2,365	43,770	28,196	88,114	12,128
Mortgage and loan costs	3,232	3,056	1,997	4,648	-
Operations and administration	2,668	3,706	2,199	5,613	-
Financing expenses	984	1,489	526	(1,211)	409
Provision for loan loss	(3,430)	3,811	(201)	2,510	-
Housing grants and subsidies	1	-	-	-	-
Rental housing operating expenses	-	-	-	-	-
Total Operating Expenses	5,820	55,832	32,717	99,674	12,537
Operating Income (Loss)	55,160	2,043	9,330	24,628	(3,379)
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS					
Contributions to the State of Alaska or other State agencies	(10,701)	-	-	-	(49,290)
Special Items	-	-	-	-	-
Transfers - Internal	(248,647)	262	27,800	53,087	35,219
Change in Net Assets	(204,188)	2,305	37,130	77,715	(17,450)
Net assets at beginning of year	1,112,834	156,375	176,163	345,393	(63,451)
Net Assets at End of Period	908,646	158,680	213,293	423,108	(80,901)

Combined Other Programs	Combined Total
-	222,446
673	71,115
2	111
675	71,226
46,283	46,283
7,034	7,034
876	2,241
54,868	349,230
9	174,582
-	12,933
18,207	32,393
-	2,197
-	2,690
39,519	39,520
9,255	9,255
66,990	273,570
(12,122)	75,660
(25,571)	(85,562)
2,035	2,035
132,279	-
96,621	(7,867)
46,363	1,773,677
142,984	1,765,810

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ALASKA HOUSING FINANCE CORPORATION *Schedule 9*

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

REVOLVING FUNDS

For the Year Ended June 30, 2002

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Housing Assistance Loan Fund	Combined Total
OPERATING REVENUES				
Mortgage and loans revenue	12,756	79	29,391	42,226
Investment interest	16,440	180	372	16,992
Net change in the fair value of investments	509	4	(12)	501
Total Investment Revenue	16,949	184	360	17,493
Externally funded program	-	-	-	-
Rental	-	-	-	-
Other	1,238	-	23	1,261
Total Operating Revenues	30,943	263	29,774	60,980
OPERATING EXPENSES				
Interest	2,365	-	-	2,365
Mortgage and loan costs	888	3	2,341	3,232
Operations and administration	224	2	2,442	2,668
Financing expenses	1,034	(51)	1	984
Provision for loan loss	(3,325)	(97)	(8)	(3,430)
Housing grants and subsidies	1	-	-	1
Rental housing operating expenses	-	-	-	-
Total Operating Expenses	1,187	(143)	4,776	5,820
Operating Income (Loss)	29,756	406	24,998	55,160
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	(10,701)	-	-	(10,701)
Special Items	-	-	-	-
Transfers - Internal	(351,005)	246	102,112	(248,647)
Change in Net Assets	(331,950)	652	127,110	(204,188)
Net assets at beginning of year	745,533	8,518	358,783	1,112,834
Net Assets at End of Period	413,583	9,170	485,893	908,646

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FIRST TIME HOMEBUYER BONDS

For the Year Ended June 30, 2002

(in thousands of dollars)

	Collateralized Home Mortgage Bonds 1988 A	Collateralized Home Mortgage Bonds 1989 B	Collateralized Home Mortgage Bonds 1990 A	Mortgage Revenue Bonds 1996 A	Mortgage Revenue Bonds 1997 A
OPERATING REVENUES					
Mortgage and loans revenue	324	208	1,601	5,989	9,602
Investment interest	23	28	302	1,546	1,498
Net change in the fair value of investments	(7)	(5)	1	(13)	(10)
Total Investment Revenue	16	23	303	1,533	1,488
Externally funded program	-	-	-	-	-
Rental	-	-	-	-	-
Other	-	-	-	13	12
Total Operating Revenues	340	231	1,904	7,535	11,102
OPERATING EXPENSES					
Interest	87	258	1,053	4,769	7,815
Mortgage and loan costs	15	10	82	350	540
Operations and administration	-	-	81	345	540
Financing expenses	333	408	99	186	75
Provision for loan loss	(3)	17	(15)	(513)	(1,132)
Housing grants and subsidies	-	-	-	-	-
Rental housing operating expenses		-		-	-
Total Operating Expenses	432	693	1,300	5,137	7,838
Operating Income (Loss)	(92)	(462)	604	2,398	3,264
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS					
Contributions to the State of Alaska or other State agencies	-	-	-	-	-
Special Items	-	-	-	-	-
Transfers - Internal	(9,845)	548	2,181	(14,885)	(8,597)
Change in Net Assets	(9,937)	86	2,785	(12,487)	(5,333)
Net assets at beginning of year	9,937	(86)	11,294	43,603	32,906
Net Assets at End of Period	-	-	14,079	31,116	27,573

Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D	Mortgage Revenue Bonds 2001 A,B	Home Mortgage Revenue Bonds 2002 A,B	Combined Total
3,753	12,441	10,673	5,765	901	51,257
640	1,352	826	172	176	6,563
(1)	(4)	3	7	18	(11)
639	1,348	829	179	194	6,552
-	-	-	-	-	-
-	-	-	-	-	-
4	19	18	-	-	66
4,396	13,808	11,520	5,944	1,095	57,875
3,271	11,618	9,500	5,009	390	43,770
228	805	603	367	56	3,056
250	820	569	558	543	3,706
40	67	97	77	107	1,489
(288)	(219)	(804)	3,618	3,150	3,811
-	-	-	-	-	-
-	-	-	-	-	-
3,501	13,091	9,965	9,629	4,246	55,832
895	717	1,555	(3,685)	(3,151)	2,043
-	-	-	-	-	-
-	-	-	-	-	-
(3,274)	519	1,534	10,397	21,684	262
(2,379)	1,236	3,089	6,712	18,533	2,305
14,087	24,473	20,161	-	-	156,375
11,708	25,709	23,250	6,712	18,533	158,680

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED

For the Year Ended June 30, 2002

(in thousands of dollars)

	Collateralized Bonds 1989 First Series	Collateralized Bonds 1990 First Series	Collateralized Bonds 1991 First Series	Collateralized Bonds 1991 Second Series	Collateralized Bonds 1992 First Series
OPERATING REVENUES					
Mortgage and loans revenue	134	219	356	660	1,254
Investment interest	15	37	56	100	434
Net change in the fair value of investments	(2)	(3)	(1)	(3)	-
Total Investment Revenue	13	34	55	97	434
Externally funded program	-	-	-	-	-
Rental	-	-	-	-	-
Other	-	-	-	-	-
Total Operating Revenues	147	253	411	757	1,688
OPERATING EXPENSES					
Interest	42	48	285	568	1,030
Mortgage and loan costs	9	10	12	38	63
Operations and administration	8	8	11	35	59
Financing expenses	12	86	36	56	35
Provision for loan loss	(16)	(9)	20	(132)	10
Housing grants and subsidies	-	-	-	-	-
Rental housing operating expenses	-	-	-	-	-
Total Operating Expenses	55	143	364	565	1,197
Operating Income (Loss)	92	110	47	192	491
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS					
Contributions to the State of Alaska or other State agencies	-	-	-	-	-
Special Items	-	-	-	-	-
Transfers - Internal	(2,974)	(2,796)	369	1,058	1,186
Change in Net Assets	(2,882)	(2,686)	416	1,250	1,677
Net assets at beginning of year	2,882	2,686	1,043	3,795	12,521
Net Assets at End of Period	-	-	1,459	5,045	14,198

Schedule 11

Collateralized Bonds 1993 First Series	Collateralized Bonds 1994 First Series	Collateralized Bonds 1995 First Series	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series	Collateralized Bonds 2002 First Series	Combined Total
1,353	7,481	1,228	5,395	3,687	7,882	5,374	767	35,790
487	1,109	340	1,198	727	1,069	646	29	6,247
(3)	(2)	-	(3)	-	4	1	6	(6)
484	1,107	340	1,195	727	1,073	647	35	6,241
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2	-	-	8	6	-	-	-	16
1,839	8,588	1,568	6,598	4,420	8,955	6,021	802	42,047
1,221	5,700	957	4,221	2,831	6,302	4,343	648	28,196
78	403	65	305	213	450	305	46	1,997
71	434	67	310	218	453	327	198	2,199
44	50	19	44	22	57	29	36	526
(48)	(8)	1	(341)	(411)	(562)	359	936	(201)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,366	6,579	1,109	4,539	2,873	6,700	5,363	1,864	32,717
473	2,009	459	2,059	1,547	2,255	658	(1,062)	9,330
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,278	8,022	959	2,709	1,313	1,812	5,513	8,351	27,800
2,751	10,031	1,418	4,768	2,860	4,067	6,171	7,289	37,130
14,760	34,011	9,808	26,642	19,566	33,567	14,882	-	176,163
17,511	44,042	11,226	31,410	22,426	37,634	21,053	7,289	213,293

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
OTHER HOUSING BONDS
For the Year Ended June 30, 2002
(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Housing Purpose Bonds 1992 A & 1994 A
OPERATING REVENUES					
Mortgage and loans revenue	1,038	14,782	15,405	15,888	10,052
Investment interest	112	977	13,732	3,323	2,167
Net change in the fair value of investments	3	58	65	(11)	(115)
Total Investment Revenue	115	1,035	13,797	3,312	2,052
Externally funded program	-	-	-	-	-
Rental	-	-	-	-	-
Other	-	-	-	1	16
Total Operating Revenues	1,153	15,817	29,202	19,201	12,120
OPERATING EXPENSES					
Interest	-	9,831	25,631	18,055	11,629
Mortgage and loan costs	2	345	861	1,048	578
Operations and administration	54	868	873	1,101	741
Financing expenses	-	238	(2,445)	184	111
Provision for loan loss	(145)	2,150	(6,473)	(882)	2,338
Housing grants and subsidies	-	-	-	-	-
Rental housing operating expenses	-	-	-	-	-
Total Operating Expenses	(89)	13,432	18,447	19,506	15,397
Operating Income (Loss)	1,242	2,385	10,755	(305)	(3,277)
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS					
Contributions to the State of Alaska or other State agencies	-	-	-	-	-
Special Items	-	-	-	-	-
Transfers - Internal	102	6,017	(48,998)	9,666	12,924
Change in Net Assets	1,344	8,402	(38,243)	9,361	9,647
Net assets at beginning of year	16,325	(115)	102,831	112,805	5,036
Net Assets at End of Period	17,669	8,287	64,588	122,166	14,683

Schedule 12

Governmental Purpose Bonds 1995 A	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
15,489	672	19,847	93,173
5,465	76	5,275	31,127
(28)	(3)	11	(20)
5,437	73	5,286	31,107
-	-	-	-
-	-	-	-
-	-	5	22
20,926	745	25,138	124,302
11,562	578	10,828	88,114
774	-	1,040	4,648
730	-	1,246	5,613
299	44	358	(1,211)
(1,216)	-	6,738	2,510
-	-	-	-
-	-	-	-
12,149	622	20,210	99,674
8,777	123	4,928	24,628
-	-	-	-
-	-	-	-
9,385	351	63,640	53,087
18,162	474	68,568	77,715
107,951	560	-	345,393
126,113	1,034	68,568	423,108

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ALASKA HOUSING FINANCE CORPORATION

Schedule 13

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

NON-HOUSING BONDS

For the Year Ended June 30, 2002

(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Building Lease Bonds 1999	Combined Total
OPERATING REVENUES					
Mortgage and loans revenue	-	-	-	-	-
Investment interest	-	3,733	3,683	2,097	9,513
Net change in the fair value of investments	-	147	(499)	(3)	(355)
Total Investment Revenue	-	3,880	3,184	2,094	9,158
Externally funded program	-	-	-	-	-
Rental	-	-	-	-	-
Other	-	-	-	-	-
Total Operating Revenues	-	3,880	3,184	2,094	9,158
OPERATING EXPENSES					
Interest	2,581	4,233	3,365	1,949	12,128
Mortgage and loan costs	-	-	-	-	-
Operations and administration	-	-	-	-	-
Financing expenses	40	135	195	39	409
Provision for loan loss	-	-	-	-	-
Housing grants and subsidies	-	-	-	-	-
Rental housing operating expenses		-	-	-	-
Total Operating Expenses	2,621	4,368	3,560	1,988	12,537
Operating Income (Loss)	(2,621)	(488)	(376)	106	(3,379)
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS					
Contributions to the State of Alaska or other State agencies	-	(35,589)	(13,701)	-	(49,290)
Special Items	-	-	-	-	-
Transfers - Internal	15,841	18,413	766	199	35,219
Change in Net Assets	13,220	(17,664)	(13,311)	305	(17,450)
Net assets at beginning of year	(64,533)	(726)	442	1,366	(63,451)
Net Assets at End of Period	(51,313)	(18,390)	(12,869)	1,671	(80,901)

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
OTHER PROGRAM FUNDS
For the Year Ended June 30, 2002
(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
OPERATING REVENUES				
Mortgage and loans revenue	-	-	-	-
Investment interest	39	229	371	11
Net change in the fair value of investments	-	2	-	-
Total Investment Revenue	39	231	371	11
Externally funded program	3,012	9,186	1,924	22,945
Rental	-	5,509	1,510	-
Other	13	648	-	-
Total Operating Revenues	3,064	15,574	3,805	22,956
OPERATING EXPENSES				
Interest	-	-	9	-
Mortgage and loan costs	-	-	-	-
Operations and administration	490	11,452	2,354	2,819
Financing expenses	-	-	-	-
Provision for loan loss	-	-	-	-
Housing grants and subsidies	4,964	-	-	19,658
Rental housing operating expenses	-	6,989	2,112	58
Total Operating Expenses	5,454	18,441	4,475	22,535
Operating Income (Loss)	(2,390)	(2,867)	(670)	421
NONOPERATING EXPENSES, SPECIAL ITEMS & TRANSFERS				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Special Items	-	-	-	-
Transfers - Internal	15,672	10,421	2,477	1,874
Change in Net Assets	13,282	7,554	1,807	2,295
Net assets at beginning of year	(10,372)	89,620	25,818	245
Net Assets at End of Period	2,910	97,174	27,625	2,540

Other Programs	Combined Total
-	-
23	673
-	2
23	675
9,216	46,283
15	7,034
215	876
9,469	54,868
-	9
-	-
1,092	18,207
-	-
-	-
14,897	39,519
96	9,255
16,085	66,990
(6,616)	(12,122)
(25,571)	(25,571)
2,035	2,035
101,835	132,279
71,683	96,621
(58,948)	46,363
12,735	142,984

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APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Alaska (the "State") and a record of proceedings relating to the issuance of $32,905,000 aggregate principal amount of State Capital Project Bonds, 2002 Series A, $14,555,000 aggregate principal amount of State Capital Project Bonds, 2002 Series B and $60,250,000 aggregate principal amount of State Capital Project Bonds, 2002 Series C (collectively, the "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, and Chapter 1 of the 2002 Special Second Session Laws of Alaska (collectively, 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 Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted November 24, 1998, and are issued pursuant to the Trust Indenture authorized by said resolution by and between the Corporation and U.S. Bank, N.A., as trustee (the "Trustee"), dated as of December 1, 1998, as supplemented, and the 2002 Series A/B/C Supplemental Indenture by and between the Corporation and the Trustee, dated as of November 1, 2002, executed pursuant to said Indenture (together, the "Indenture").

The Bonds mature as provided in the Indenture.

Capitalized terms used herein and not defined herein are used as defined in the Indenture.

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

We have relied, to the extent we deemed such reliance proper, on certificates and opinions provided to us, including, without limitation, on the certificate of even date herewith of an authorized officer of the Corporation to the effect that the Bonds are not "arbitrage bonds."

Subject to the foregoing, we are of the opinion that:

1. Under the Constitution and laws of 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 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 Bonds have been duly and validly authorized, sold and issued by the Corporation in accordance with the Indenture and Constitution and laws of the State, including the Act and, pursuant to the Act, are issued by a public corporation and government instrumentality of the State for an essential public and governmental purpose.

4. Subject to agreements heretofore or hereafter made with the holders of any notes or other bonds of the Corporation pledging any particular revenues or assets not pledged under the Indenture and the exclusion by the Act of a pledge of funds in the Housing Development Fund (as described in the Act), the Bonds are valid and legally binding general obligations of the Corporation for the payment of which, in accordance with their terms, the full faith and credit of the Corporation have been legally and validly pledged, are enforceable in accordance with their terms and the terms of the Indenture, and are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture.

5. The Bonds are secured by a pledge in the manner and to the extent set forth in the Indenture. The Indenture creates a valid pledge of a lien on all funds established by the Indenture and moneys and securities therein which the Indenture purports to create, to the extent and on the terms provided therein.

6. Assuming compliance by the Corporation with certain covenants and conditions contained in the Indenture and the Arbitrage and Use of Proceeds Certificate designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount) is excluded from gross income for federal income tax purposes.

7. Interest on the Bonds is not treated as a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code. However, interest on the Bonds is included in the adjusted current earnings (i.e., alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its

alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

8. Under existing laws, interest on the 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).

We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

WOHLFORTH, VASSAR,
JOHNSON & BRECHT, P.C.

By ___________________________

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APPENDIX C

FORM OF OPINION OF SPECIAL TAX COUNSEL

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale of $107,710,000 aggregate principal amount of Alaska Housing Finance Corporation State Capital Project Bonds, 2002 Series A, 2002 Series B and 2002 Series C (collectively, the "Bonds"). The Bonds will be issued pursuant to the Trust Indenture by and between the Alaska Housing Finance Corporation (the "Corporation") and U.S. Bank, N.A., as trustee (the "Trustee"), dated as of December 1, 1998, as supplemented (the "Indenture"), and the 2002 Series A/B/C Supplemental Indenture by and between the Corporation and the Trustee, dated as of November 1, 2002, authorizing the issuance of the Bonds (the "Supplemental Indenture"). Capitalized terms not otherwise defined herein are used as defined in the Indenture and the Supplemental Indenture.

In connection with the issuance of the Bonds, we have examined the Indenture and the Supplemental Indenture, the Arbitrage and Use of Proceeds Certificate of the Corporation and such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that, assuming compliance by the Corporation with certain restrictions, conditions and requirements contained in the Indenture, the Supplemental Indenture and the Arbitrage and Use of Proceeds Certificate designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount) is excluded from gross income for Federal income tax purposes and is not treated as a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code.

Interest on the Bonds, however, is included in the adjusted current earnings (i.e., alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the Bonds.

The opinions expressed herein are rendered in reliance upon the opinion of Wohlforth, Vassar, Johnson & Brecht, P.C., Bond Counsel, as to the validity of the Bonds under the Constitution and laws of the State of Alaska.

Very truly yours,

/s/ Kutak Rock LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the Alaska Housing Finance Corporation (the "Corporation") in connection with the issuance of $107,710,000 aggregate principal amount of its State Capital Project Bonds, 2002 Series A, 2002 Series B and 2002 Series C (collectively, the "2002 Bonds"). The 2002 Bonds are being issued pursuant to the Trust Indenture dated as of December 1, 1998, as supplemented, and a 2002 Series A/B Supplemental Indenture dated as of November 1, 2002 (collectively, the "Indenture"), each by and between the Corporation and U.S. Bank, N.A., as trustee (the "Trustee"). The Corporation covenants and agrees with the registered owners and the beneficial owners of the 2002 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 2002 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.

"National Repository" shall mean, at any time, a then-existing Nationally Recognized Municipal Securities Information Repository, as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
E-mail: NRMSIR@FTID.com

Standard & Poor's J.J. Kenny Repository
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

"Official Statement" shall mean the Corporation's final Official Statement with respect to the 2002 Bonds, dated November 15, 2002.

"Participating Underwriters" shall mean any of the original underwriters of the 2002 Bonds required to comply with the Rule in connection with offering of the 2002 Bonds.

"Repository" shall mean each National Repository and each State Repository.

"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.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Certificate, there is no State Repository.

"Tax-Exempt" shall mean that interest on the 2002 Bonds is excluded from gross income for Federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports. The Corporation shall provide to each Repository an Annual Report for the preceding Fiscal Year (commencing with the Fiscal Year ending June 30, 2003) which is consistent with the requirements of Section 4 of this Certificate.

The Annual Report shall be provided not later than 135 days after the Fiscal Year to which it relates. The Annual Report may be submitted as a single document or as separate documents comprising 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.

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 final Official Statement under the caption "The Corporation," (iii) the amount and type of investments (and cash) in the accounts and subaccounts established in the Indenture, (iv) the outstanding principal balances of each maturity of 2002 Bonds 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 each Repository.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Corporation or related public entities, which have been submitted to each of the Repositories. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Corporation shall clearly identify each such other document so incorporated by reference.

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 2002 Bonds or any other Bonds;

2. Non-payment related defaults under the Indenture and any Supplemental Indenture;

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 or events affecting the tax-exempt status of the 2002 Bonds;

7. Modifications to rights of 2002 Bondholders;

8. Unscheduled 2002 Bond calls;

9. Defeasances of 2002 Bonds;

10. Release, substitution or sale of property securing repayment of the 2002 Bonds; and

11. Rating changes for the 2002 Bonds.

Upon the occurrence of a Listed Event that is material, the Corporation shall file a notice of such occurrence with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the owners of affected 2002 Bonds pursuant to the Indenture.

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 2002 Bonds.

SECTION 7. Dissemination Agent. The Corporation may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent.

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 2002 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 2002 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 2002 Bonds pursuant to the terms of the Indenture.

The annual financial information containing the amended operating data or financial information 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. 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 2002 Bonds, or by the Trustee on behalf of the registered owners of Outstanding 2002 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 2002 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 2002 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 10. 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 Agreement 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 Agreement shall be construed in accordance with such Federal securities laws and official interpretations thereof.

SECTION 11. 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 2002 Bonds, and shall create no rights in any other person or entity.

Date: December 5, 2002

ALASKA HOUSING FINANCE
CORPORATION

By ____________________________________

Exhibit A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Alaska Housing Finance Corporation (the "Corporation")

Name of Bond Issue: $107,710,000 State Capital Project Bonds, 2002 Series A, 2002 Series B and 2002 Series C

Date of Issuance: December 5, 2002

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 ____________________________________

APPENDIX E

AUCTION PROCEDURES

The Auction Procedures are set forth in the 2002 Series A/B/C Supplemental Indenture and are summarized below. All of the terms used in this Appendix E are defined in the forepart of this Official Statement. See "The 2002 Bonds — Description of the Variable Rate Bonds."

Initial Rate

Auction Bonds shall bear interest at their respective Auction Rates. The rate of interest on Auction Bonds for each Auction Period, to but not including the Conversion Date, shall be the Auction Rate for such Bonds. While Auction Bonds are in an Auction Period of seven days, 28 days or 35 days, interest shall be computed on the basis of actual days in an Interest Period over 360. While Auction Bonds are in a Semiannual Auction Period, interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Orders by Existing Owners and Potential Owners

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Auction Bonds, if any, held by such Existing Owner which such Existing Owner desires to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Auction Bonds, if any, held by such Existing Owner which such Existing Owner desires to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner desires to sell on the next succeeding Interest Payment Date if the rate determined by the Auction Procedures shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Auction Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the next succeeding Interest Payment Date without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purposes of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Auction Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, by telephone or otherwise, to determine the principal amount of Auction Bonds, if any, which each such Potential Owner offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

(b) (i) A Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Outstanding Auction Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Auction Bonds to be determined as set forth in subsection (a)(v) under the caption "*Allocation of Auction Bonds*" if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Auction Bonds to be determined as set forth in subsection (b)(iv) under the caption "*Allocation of Auction Bonds*" if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Auction Bonds specified in such Sell Order, or

(B) such principal amount or a lesser principal amount of Auction Bonds as set forth in subsection (b)(iv) under the caption "*Allocation of Auction Bonds*" if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of Auction Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Auction Bonds as set forth in subsection (a)(vi) under the caption "*Allocation of Auction Bonds*" if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything contained in the Indenture to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Auction Bonds to be held, purchased or sold in a principal amount which is not $100,000 or an integral multiple of $5,000 in excess thereof shall be rounded down to the nearest $100,000 or integral multiple of $5,000 in excess thereof, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction, any portion of an Order from an Existing Owner which relates to an Auction Bond which has been called for redemption or which has been scheduled for Mode Change or Conversion on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction, no portion of an Auction Bond which has been called for redemption or which has been scheduled for Mode Change or Conversion on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Auction Bonds; and

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee of the occurrence of an Event of Default consisting of a failure to pay principal, interest or premium on any Bond when due, but shall resume two Business Days after the Auction Agent receives notice from the Trustee that such Event of Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring after such receipt.

Submission of Orders by Broker-Dealers to Auction Agent

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Auction Bonds that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Auction Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Auction Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Auction Bonds, if any, subject to any Sell Order placed by such Existing Owner; and

(iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid. The Auction Agent shall be entitled to rely upon the terms of any order submitted to it by a Broker-Dealer.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Auction Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Auction Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Auction Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of Auction Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Auction Bonds held by such Existing Owner over the principal amount of Auction Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A), if more than one Bid with the same rate is submitted on behalf of such Existing Owner and the principal amount of Auction Bonds subject to such Bids is greater than such excess of the principal amount of Auction Bonds held by such Existing Owner over the principal amount of Auction Bonds subject to Hold Orders referred to in paragraph (i) above, such Bids shall be considered valid up to the amount of such excess;

(C) subject to clause (A), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid in the ascending order of their respective rates up to the amount of the excess of the principal amount of Auction Bonds held by such Existing Owner over the principal amount of Auction Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such Auction Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner; and

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including a principal amount of Auction Bonds equal to the excess of the principal amount of Auction Bonds held by such Existing Owner over the sum of the principal amount of the Auction Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of Auction Bonds considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid shall be considered a separate Bid with the rate and the principal amount of Auction Bonds specified therein.

(f) Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the Minimum Rate shall be treated as a Bid specifying the Minimum Rate.

(g) Neither the Corporation, the Trustee nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Determination of Auction Rate

(a) Not later than 9:30 A.M. New York City time on each Auction Date the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone of the Minimum Rate, the Maximum Rate and the Auction Index.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order" and collectively as "Submitted Orders") and shall on behalf of the Corporation, determine: (i) the Available Auction Bonds; (ii) whether there are Sufficient Clearing Bids; and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above the Auction Agent shall advise the Trustee by telephone (promptly confirmed in writing), or telecopy transmission of the Auction Rate for the next succeeding Auction Period.

Allocation of Auction Bonds

(a) In the event that Sufficient Clearing Bids exist, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Auction Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Auction Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus entitling each such Existing Owner to continue to hold the Auction Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Auction Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Auction Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Auction Bonds obtained by multiplying (A) the aggregate principal amount of Auction Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which shall be the principal amount of Auction Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Auction Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Auction Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Auction Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Auction Bonds obtained by multiplying (A) the aggregate principal amount of Auction

Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the principal amount of Auction Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Auction Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) If Sufficient Clearing Bids have not been made (other than because all of the Auction Bonds are subject to Submitted Hold Orders), subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows and in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Auction Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Auction Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Auction Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of related Auction Bonds obtained by multiplying (A) the aggregate principal amount of Auction Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of related Auction Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Auction Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Auction Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Auction Bonds which is not $100,000 or an integral multiple of $5,000 in excess thereof on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Auction Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Auction Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be $100,000 or an integral multiple of $5,000 in excess thereof, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Auction Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase less than $100,000 in principal amount of Auction Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate Auction Bonds for purchase among Potential Owners so that the principal amount of Auction Bonds purchased on such Auction Date by any Potential Owner shall be $100,000 or an integral multiple of $5,000 in excess thereof, even if such allocation results in one or more of such Potential Owners not purchasing Auction Bonds on such Auction Date.

(e) The Corporation may establish a different Auction Mode Period or Periods for any portion of the Variable Rate Bonds of any Series. Any such change in Auction Period for Variable Rate Bonds of a Series will require a change in the related Auction Date, and may require a change in interest payment dates for the related Auction Bonds. Such a change in Auction Period may be made on any existing Auction Date with respect to the Variable Rate Bonds to which the change in Auction Period is to apply on which Sufficient Clearing Bids have been received or all the Auction Bonds of a Series are subject to Submitted Hold Orders and upon not less than twenty (20) days prior written notice to the Bondowners.

Notice of Auction Rate

(a) On each Auction Date, the Auction Agent shall notify by telephone or other telecommunication device or in writing each Broker-Dealer that participated in the Auction held on such Auction Date of the following:

(i) the Auction Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Auction Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Auction Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of Auction Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Auction Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid; the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Auction Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such other Broker-Dealers submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to: (A) the Auction Rate determined on such Auction Date; (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected; and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Auction Bonds to be purchased pursuant to such Bid against receipt of such Auction Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Auction Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Auction Index

(a) The Auction Index shall be determined as set forth in the definition of "Auction Index" in Appendix F hereto.

(b) If for any reason on any Auction Date the Auction Index shall not be determined as provided in the definition of "Auction Index" in Appendix F hereto, the Auction Index shall be the Auction Index for the Auction Period ending on such Auction Date.

(c) The determination of the Auction Index as provided herein shall be conclusive and binding upon the Corporation, the Trustee, the Broker-Dealers, the Auction Agent and the Existing Owners of the Auction Bonds.

Change in Auction Period; Change of Auction Date

(a) Changes in Auction Period or Periods.

(i) While any Auction Bonds are Outstanding, the Corporation may, from time to time, change the length of one or more Auction Periods from one Auction Mode Period to another. The Corporation shall initiate the change in the length of one or more Auction Periods by giving written notice to the Trustee, the Auction Agent, the Broker-Dealer and the Securities Depository that the Auction Period will change if the conditions described below are satisfied and the proposed effective date of the change, at least ten Business Days prior to the Auction Date for such Auction Period.

(ii) The change in the length of one or more Auction Periods shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in (a) above and the Auction immediately preceding the proposed change.

(iii) The change in length of one or more Auction Periods shall take effect only if

(A) the Trustee and the Auction Agent receive by 11:00 A.M., Eastern Time, on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Corporation, authorizing the change in the length of one or more Auction Periods specified in such certificate, and

(B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period.

If the condition referred to in (A) above is not met, the Auction Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Auction Rate for the next Auction Period shall be the Maximum Rate, and the Auction Period shall be a Seven Day Auction Mode.

(b) Changes in the Auction Dates. While any of the Auction Bonds are Outstanding, the Auction Agent, with the written consent of the Corporation, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" with respect to one or more specified Auction Periods in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Auction Bonds. The Corporation shall not consent to such change in the Auction Date unless it has received from the Auction Agent not less than three (3) days nor more than twenty (20) days prior to the effective date of such change a written request for consent together with a certificate demonstrating the need for change in reliance on such factors. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Corporation, the Broker-Dealer and the Securities Depository.

(c) Notwithstanding anything herein to the contrary, prior to any change in the duration of any Auction Period, the Trustee shall receive a confirmation from each rating agency then rating any Auction Bonds at the request of the Corporation to the effect that such change does not adversely affect the rating of any Auction Bond then being rated by such rating agency.

Miscellaneous Provisions

(a) The Auction Procedures may be interpreted by the Corporation to resolve any inconsistency or ambiguity which may arise or be revealed in connection therewith and such interpretation shall be binding upon the Trustee, the Auction Agent, each Broker-Dealer and the Owners.

(b) Prior to the Mode Change Date or Conversion Date, if any, applicable to an Auction Bond

> (i) except during a period in which the Auction Procedures are not to be implemented as a result of a default in payment on any Auction Bond, an Existing Owner may sell, transfer or otherwise dispose of an Auction Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer or to a Person that has delivered a signed copy of a Master Purchaser's Letter to the Auction Agent, provided that in the case of all transfers other than pursuant to Auctions such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and
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> (ii) an Existing Owner shall have the ownership of the Auction Bond held by it maintained in book entry form by the securities depository for the account of its Agent Member which, in turn, is to maintain records of such Existing Owner's beneficial ownership.

(c) The provisions of the 2002 Series A/B/C Supplemental Indenture relating to the Auction Bonds and the definitions applicable thereto, including without limitation the definitions of Auction Rate, Default Rate, Maximum Rate, No Auction Rate, Minimum Rate, Auction Index, Auction Multiple and Auction Rate, may be amended by obtaining the consent of the beneficial owners of all Auction Bonds affected by such amendment. If on the first Auction Date occurring at least twenty (20) days after the date on which the Auction Agent mailed notice to the registered owners of the Auction Bonds affected by such amendment, Sufficient Clearing Bids have been received or all of the Auction Bonds affected by such amendment are subject to Submitted Hold Orders, the proposed amendment shall be deemed to have been consented to by the beneficial owners of all Auction Bonds affected by such amendment. Any such consent or deemed consent by a beneficial owner shall be conclusive and binding upon such beneficial owner and all future beneficial owners thereof. As a condition precedent to any amendment referred to in this paragraph, there shall be delivered to the Trustee an opinion of Bond Counsel to the effect that such amendment will not in and of itself adversely affect the validity of the Variable Rate Bonds or the exclusion of interest thereon from gross income for federal income tax purposes.

APPENDIX F

CERTAIN DEFINITIONS WITH RESPECT TO THE VARIABLE RATE BONDS

"Agent Member" means a member of, or participant in, the Securities Depository who will act on behalf of a Bidder and is identified as such in the Bidder's Master Purchaser's Letter.

"Alternate Liquidity Facility" means any Liquidity Facility subsequent to the Initial Liquidity Facility that the Corporation may provide with the written consent of the Insurer pursuant to the 2002 Series A/B/C Supplemental Indenture; provided, however, that the delivery of each such Liquidity Facility shall result in a short-term rating of Variable Rate Bonds (other than Auction Bonds) of not less than "A-1+" (in the case of S&P) or "P-1" or "VMIG-1", as applicable (in the case of Moody's), or "F1+ (in the case of Fitch) or such other rating(s) as may be approved by the Corporation and the Insurer, as evidenced by rating letters delivered when such Liquidity Facility is delivered.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Bonds means Variable Rate Bonds which bear interest at an Auction Rate.

"Auction Agent" means the auctioneer appointed to act as such in accordance with the Indenture.

"Auction Agreement" means the Auction Agreement between the Auction Agent and the Trustee, as it may be amended, supplemented, or replaced from time to time with notice to the Insurer.

"Auction Date" means during any period in which the Auction Procedures are not suspended in accordance with the terms of the 2002 Series A/B/C Supplemental Indenture, the Business Day next preceding each Auction Period applicable to such Bonds (whether or not an Auction shall be conducted on such date) or such other date as determined by the Corporation in connection with the adjustment to the Auction Period for Auction Bonds, commencing on the First Auction Date applicable to such Auction Bonds; provided, however, the last Auction Date for any Auction Bond shall be the earlier of (i) the Business Day next preceding the Auction Period next preceding any Mode Change Date or Conversion Date relating to such Bond and (ii) the Business Day next preceding the Auction Period next preceding the final maturity date of such Bond.

"Auction Index" means, on any Auction Date, (i) with respect to Auction Bonds in a Seven Day Auction Mode Period, the Seven-Day LIBOR Rate on such date; (ii) with respect to Auction Bonds in a Twenty-Eight Day Auction Mode Period or Thirty-Five Day Auction Mode Period, the One Month LIBOR Rate on such date; (iii) with respect to Auction Bonds in a Semiannual Auction Mode Period, the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period, as last published in *The Bond Buyer*; or (iv) if any of the above rates are unavailable, an index or rate agreed to by all Broker-Dealers and consented to by the Corporation..

"Auction Mode Period" means either a Seven Day Auction Mode Period, a Twenty-Eight Day Auction Mode Period, a Thirty-Five Day Auction Mode Period, or a Semiannual Auction Mode Period.

"Auction Multiple" means, as of any Auction Date, the percentage determined as set forth below, or otherwise established as described in the Section entitled "Miscellaneous Provisions" in Appendix E, based on the Prevailing Rating of the Auction Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

Prevailing Rating	Percentage of Auction Index
AAA/Aaa	150%
AA/Aa	175
A/A	225
BBB/Baa	275
Below BBB/Baa	325

"Auction Period" means

(i) with respect to Auction Bonds in a Seven Day Auction Mode Period, a period of seven days generally beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the next succeeding Wednesday (unless such Wednesday is not a Business Day, in which case ending on the next succeeding Business Day);

(ii) with respect to Auction Bonds in a Twenty-Eight Day Auction Mode Period, a period of twenty-eight days generally beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the next succeeding fourth Wednesday (unless such Wednesday is not a Business Day, in which case ending on the next succeeding Business Day);

(iii) with respect to Auction Bonds in the Thirty-Five Day Auction Mode Period, a period of thirty-five days generally beginning on a Thursday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the next succeeding fifth Wednesday (unless such Wednesday is not a Business Day in which case ending on the next succeeding Business Day); and

(iv) with respect to Auction Bonds in a Semiannual Auction Mode Period, a period of six months generally (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding May 31 or November 30.

"Auction Procedures" means the procedures for conducting auctions for Auction Bonds as described in Appendix E.

"Auction Rate" means the rate of interest to be borne by Auction Bonds for each Auction Period which shall be:

(i) for the Initial Period, those interest rates set forth in a certificate of the Corporation with respect to the Auction Bonds and

(ii) after the Initial Period,

(a) if Sufficient Clearing Bids exist, the Winning Bid Rate,

(b) if Sufficient Clearing Bids do not exist (other than as a result of all Auction Bonds being subject to Submitted Hold Orders), the Maximum Rate, and

(c) if all Auction Bonds are subject to Submitted Hold Orders, the Minimum Rate; provided, however, that, if the Auction Agent shall have failed to determine the Auction Rate for any Auction Period (including, without limitation, the circumstances where there is no Auction Agent or no Broker-Dealer), the Auction Rate for such Auction Period shall be the No Auction Rate determined for such Auction Period; and provided, further, that, if an Event of Default with respect to the payment of any debt service or redemption price on any Bond shall have occurred, and the Insurer shall have failed to make payment in accordance with the Policy, the Auction Rate for the Auction Period during which such Event of Default and Insurer's failure to make payment in accordance with the Policy shall have occurred and each Auction Period thereafter commencing prior to the date on which such Event of Default and Insurer's failure to make payment in accordance with the Policy shall have ceased to be continuing shall be the Default Rate for such Auction Period; and provided, further, that in no event shall the Auction Rate applicable to Auction Bonds exceed 15% per annum or, if less, the maximum rate permitted by law; and provided, further, in the event of a failed conversion from one Auction Mode Period to another Auction Mode Period or Conversion from an Auction Mode Period to Fixed Interest Rates or an Indexed Rate, the Auction Bonds will automatically convert to an Auction Period in the Seven Day Auction Mode Period and bear interest at the Maximum Rate for the next Auction Period.

"Auction Rate Conversion Date" means each date on which any Variable Rate Bonds are converted to Auction Bonds with approval in writing by the Insurer, which approval may not be unreasonably withheld.

"Available Auction Bonds" means the excess of the aggregate principal amount of Outstanding Auction Bonds over the principal amount of Auction Bonds that are the subject of Submitted Hold Orders.

"Bear Stearns" means Bear, Stearns & Co. Inc.

"Bid" means the information submitted by an Existing Owner to a Broker-Dealer as to the principal amount of Outstanding Auction Bonds, if any, held by such Existing Owner which such Existing Owner desires to continue to hold if the rate determined by the Auction Procedures for the next succeeding Auction Period shall not be less than the rate per annum then specified by such Existing Owner and which such Existing Owner desires to sell on the next succeeding Interest Payment Date for such Auction Bonds if the Auction Rate is less than the rate per annum then specified by such Existing Owner; and, for purposes of implementing the Auction, in order to achieve the lowest possible interest rate on the Auction Bonds, the Broker-Dealers shall contact Potential Owners, including Persons who are Existing Owners, by telephone or otherwise to determine the principal amount of Auction Bonds, if any, which each such Potential Owner offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period were not less than the rate per annum specified by such Potential Owner.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

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

"Broker-Dealer" means Bear Stearns and any broker-dealer or other entity that is permitted by law to perform the functions required of a Broker-Dealer on behalf of Existing Owners and Potential Owners of Auction Bonds, that is a Direct Participant, that has been selected by the Corporation with notice to the Insurer, and that is a party to a Broker-Dealer Agreement with the Auction Agent that remains effective.

"Broker-Dealer Agreement" means a Broker-Dealer Agreement between a Broker Dealer and the Auction Agent, as may be amended from time to time, with notice to the Insurer.

"Change Date" means the date on which Auction Bonds are to be changed to a different Auction Mode Period.

"Conversion Date" means the Business Day on which any of the Variable Rate Bonds are Converted to Fixed Interest Rates or an Indexed Rate.

"Convert", "Converted" or "Conversion", as appropriate, means the conversion of the interest rate on the Variable Rate Bonds to Fixed Interest Rates or an Indexed Rate as herein described.

"Counterparty" means Bear Stearns Financial Products Inc.

"Default Rate" means, in respect of any Auction Period, three hundred ten percent (310%) of the Auction Index determined on the Auction Date next preceding the first day of such Auction Period; provided, however, that in no event shall the Default Rate exceed the Maximum Rate.

"Effective Rate" means the rate of interest, which rate shall be less than or equal to the Maximum Rate, payable on the Variable Rate Bonds prior to Conversion, determined for each Effective Rate Period as herein described.

"Effective Rate Date" means the date on which the Variable Rate Bonds begin to bear interest at the Effective Rate.

"Effective Rate Period" means the period during which interest accrues under a particular Mode from one Effective Rate Date to and including the day preceding the next Effective Rate Date.

"First Auction Date" means a date not later than a date sixty (60) days after the date on which any Variable Rate Bonds become Auction Bonds.

"Fixed Interest Rates" means long-term interest rates fixed to maturity of a 2002 Bond, established in accordance with the 2002 Series A/B/C Supplemental Indenture. This Official Statement is not intended to describe the Variable Rate Bonds following a Conversion to Fixed Interest Rates.

"Hold Order" means the information submitted by an Existing Owner to a Broker-Dealer as to the principal amount of Outstanding Auction Bonds, if any, held by such Existing Owner which such Existing Owner desires to continue to hold without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period.

"Indexed Rate" means an index-based variable rate determined in accordance with the 2002 Series A/B/C Supplemental Indenture. This Official Statement is not intended to describe the Variable Rate Bonds following a Conversion to an Indexed Rate.

"Initial Liquidity Facility" means the Tender Agreement, by and between the Corporation and the Tender Agent, dated as of November 1, 2002.

"Initial Period" means a period commencing on the date on which Auction Bonds are authenticated and delivered and ending on the First Auction Date.

"Liquidity Expiration Event" means either (i) the Corporation has determined to terminate a Liquidity Facility in whole or in part in accordance with its terms or (ii) the Trustee has not received written notice on or prior to forty-five (45) days prior to the scheduled expiration of a Liquidity Facility that such Liquidity Facility will be extended, renewed, or replaced.

"Liquidity Facility" means, for purposes of the Variable Rate Bonds, any Liquidity Facility provided pursuant to the 2002 Series A/B/C Supplemental Indenture by the Corporation, including the Initial Liquidity Facility.

"Mandatory Tender Date" means (i) each related Mode Change Date, (ii) with respect to a related Liquidity Expiration Event, a date not less than 5 days prior to the scheduled expiration or earlier termination of the related Liquidity Facility, (iii) any related Change Date, (iv) any related Conversion Date, and (v) each date specified by the Corporation in connection with the delivery of a related Alternate Liquidity Facility. (See "Mode Chart for Variable Rate Bonds" appearing on page (i).)

"Master Purchaser's Letter" means the Master Purchaser's Letter in substantially the form of the letter attached hereto as Appendix G.

"Maximum Rate" means

> (i) with respect to the Variable Rate Bonds other than Auction Bonds, 15% per annum while covered by the Initial Liquidity Facility, and
>
> (ii) with respect to Auction Bonds, as of any Auction Date, the product of the Auction Index times the Auction Multiple; *provided, however,* that in no event shall the Maximum Rate exceed the lesser of 15% or the maximum rate permitted by applicable law, anything in the 2002 Series A/B/C Supplemental Indenture to the contrary notwithstanding.

"Minimum Rate" means with respect to Auction Bonds, as of any date of determination thereof, 45 percent of the Auction Index in effect on the date of calculation.

"Mode" means the manner in which the interest rate is determined on each Rate Determination Date, consisting of a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate, and Auction Rate.

"Mode Change" means a change in Mode Period.

"Mode Change Date" means the effective date of a Mode Change.

"Mode Period" means each period beginning on the first Effective Rate Date for the Variable Rate Bonds, or the first Effective Rate Date following a change from one Mode to another (including a change from one Auction Mode Period to another Auction Mode Period of a different duration), and ending on the date immediately preceding the first Effective Rate Date following the next such change in Mode. (See "Mode Chart for Variable Rate Bonds" appearing on page (i).)

"No Auction Rate" means, as of any Auction Date, the Auction Rate in effect during the immediately preceding Auction Period; *provided, however,* that in no event shall the No Auction Rate exceed the Maximum Rate.

"Notice Parties" means the Corporation, the Remarketing Agent, the Tender Agent, the Insurer and the Trustee.

"One Month LIBOR Rate" means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

"Order" means, as the context requires, a Hold Order, a Bid or a Sell Order.

"Person" means an individual, partnership, corporation, trust or unincorporated organization or a government or any agency, instrumentality, political subdivision or corporation thereof.

"Potential Owner" any person, including any Existing Owner, (i) who shall have executed a Master Purchaser's Letter and (ii) who may be interested in acquiring Auction Bonds or, in the case of an Existing Owner, an additional principal amount of Auction Bonds.

"Prevailing Rating" means

(a) AAA/Aaa/AAA, if the Auction Bonds shall have a rating of AAA or better by S&P, a rating of Aaa or better by Moody's, and a rating of AAA or better by Fitch,

(b) if not AAA/Aaa/AAA, then AA/Aa/AA if the Auction Bonds shall have a rating of AA- or better by S&P, a rating of Aa3 or better by Moody's, and a rating of AA- or better by Fitch,

(c) if not AAA/Aaa/AAA or AA/Aa/AA, then A/A/A if the Auction Bonds shall have a rating of A- or better by S&P, a rating of A3 or better by Moody's, and a rating of A- or better by Fitch,

(d) if not AAA/Aaa/AAA, AA/Aa/AA or A/A/A, then BBB/Baa/BBB if the Auction Bonds shall have a rating of BBB- or better by S&P, a rating of Baa3 or better by Moody's, and a rating of BBB- or better by Fitch, and

(e) if not AAA/Aaa/AAA, AA/Aa/AA, A/A/A or BBB/Baa/BBB, then Below BBB/Baa/BBB, whether or not the Auction Bonds are rated by any securities rating agency.

For purposes of this paragraph, S&P's rating categories of "AAA", "AA-", "A-" and "BBB-", Moody's rating categories of "Aaa", "Aa3", "A3" and "Baa3," and Fitch's rating categories of "AAA", "AA-", "A" and "BBB-" shall be deemed to refer to and include the respective rating categories correlative thereto in the event that either or both of such rating agencies shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions shall use different rating categories.

"Rate Determination Date" means the date on which the Effective Rate for the Effective Rate Period following each such Rate Determination Date is determined, as described in the "Mode Chart for Variable Rate Bonds" appearing on page (i) of this Official Statement.

“Remarketing Agent” means Bear Stearns and its successors and assigns, unless another remarketing agent shall be duly appointed in accordance with the Indenture.

“Sell Order” means the information submitted by an Existing Owner to a Broker-Dealer as to the principal amount of Outstanding Auction Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period.

“Semiannual Auction Mode Period” means the period of time during which Auction Bonds bear interest for an Auction Period of generally six (6) months.

“Seven Day Auction Mode Period” means the period of time during which Auction Bonds bear interest for an Auction Period of generally seven (7) days.

“Seven-Day LIBOR Rate” means the rate of interest per annum equal to the rate per annum at which United States dollar deposits having a maturity of seven days are offered to prime banks in the London interbank market which appear on the Telerate Service LIBOR Page as of approximately 11:00 A.M. London time, on the second Business Day immediately preceding the Effective Rate Date. If at least two such quotations appear, The Seven-Day LIBOR Rate will be determined at approximately 11:00 A.M., London time, on such calculation date on the basis of the rate at which deposits in United States dollars having a maturity of seven days are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Remarketing Agent and in a principal amount of not less than U.S. $1,000,000 and that is representative for a single transaction in such market at such time. The Remarketing Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two quotations are provided, The Seven-Day LIBOR Rate will be the arithmetic mean (rounded upwards, if necessary, to the nearest one-hundredth of one percent) of the rates quoted at approximately 11:00 A.M., New York City time on the second Business Day immediately preceding the Effective Rate Date by three major banks in New York, New York selected by the Remarketing Agent for loans in United States dollars to leading European banks having a maturity of seven days and in a principal amount equal to an amount of not less the U.S. $1,000,000 and that is representative for a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid are not quoting as mentioned in this sentence, The Seven-Day LIBOR Rate will be The Seven-Day LIBOR Rate in effect for the immediately preceding Weekly Mode Period.

“Submission Deadline” means 1:00 P.M. New York City time on each Auction Date or such other time on such date as shall be specified from time to time by the Auction Agent as the time by which Brokers-Dealers are required to submit Orders to the Auction Agent.

“Submitted Bid” means a Bid submitted to the Auction Agent by the Broker-Dealer.

“Submitted Hold Order” means a Hold Order submitted to the Auction Agent by the Broker-Dealer.

"Submitted Order" means an Order submitted to the Auction Agent by the Broker-Dealer.

"Submitted Sell Order" means a Sell Order submitted to the Auction Agent by the Broker-Dealer.

"Sufficient Clearing Bids" with respect to any Auction, the condition in which the aggregate principal amount of Auction Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Rate is not less than the sum of (i) the aggregate principal amount of Auction Bonds that are the subject of Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate, and (ii) the aggregate principal amount of Auction Bonds that are the subject of Submitted Sell Orders.

"Swap Agreement" means, collectively, the one or more interest rate swap agreements between the Corporation and the Counterparty, relating to the Variable Rate Bonds.

"TBMA Index" means the rate determined on the basis of an index based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established by The Bond Market Association, formerly the Public Securities Association.

"Tender Agent" means U.S. Bank, N.A., organized and existing under the laws of the United States of America, and its successors and assigns.

"Thirty-Five Day Auction Mode Period" means the period of time during which Auction Bonds bear interest for an Auction Period of generally thirty-five (35) days.

"Twenty-Eight Day Auction Mode Period" means the period of time during which Auction Bonds bear interest for an Auction Period of generally twenty-eight (28) days.

"Untendered Auction Bonds" means Auction Bonds, or portions thereof, that are not delivered as required by the Indenture.

"Untendered Bonds" means Variable Rate Bonds not tendered and delivered to the Tender Agent on or prior to a Mandatory Tender Date.

"Variable Rate Bonds" means the 2002 Series B Bonds and the 2002 Series C Bonds prior to Conversion.

"Winning Bid Rate" means the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the Auction Rate would cause the aggregate principal amount of the Auction Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Auction Bonds.

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APPENDIX G

FORM OF MASTER PURCHASER'S LETTER

Relating to Securities Involving Rate Settings Through Auctions

THE COMPANY
THE AUCTION AGENT
A BROKER-DEALER
AN AGENT MEMBER
OTHER PERSONS

Dear Sirs:

1. This letter is designed to apply to auctions for publicly or privately offered debt or equity securities ("Securities") of any issuer ("Company") which are described in any final prospectus, private placement memorandum or other offering materials relating to such Securities as the same may be amended or supplemented (collectively, with respect to the particular Securities concerned, the "Prospectus"), and which involve periodic rate settings through auctions ("Auctions"). This letter shall be for the benefit of the Company and of any trust company or auction agent (collectively, "Trust Company"), broker-dealer, agent member, securities depository or other interested person in connection with any Securities and related Auctions (it being understood that such persons may be required to execute specified agreements and nothing herein shall alter such requirements). The terminology used herein is intended to be general in its application and not to exclude any Securities in respect to which (in the Prospectus or otherwise) alternative terminology is used.

2. We may from time to time offer to purchase, offer to sell and/or sell Securities of the Company as described in the Prospectus relating thereto. We agree that this letter shall apply to all such purchases, sales and offers and to Securities owned by us. We understand that (a) the dividend/interest rate on Securities may be based from time to time on the results of Auctions as set forth in the Prospectus, (b) a component of each such dividend/interest rate on Securities may include fees and charges owed to the Trust Company or other interested persons, including a broker-dealer, and (c) such fees and charges may be deducted prior to our receipt of such dividend/interest rate. We agree that in the event any such fee or charge is not so deducted and is paid to us in a circumstance in which it is owed to any Trust Company or other interested person, we are not relieved of our liability to such Trust Company or other interested person for payment of such fee or charge and we shall make such payment promptly upon notice delivered to us that such payment is due. We agree that the Trust Company or other interested person may collect such fees and charges on its or all interested parties' behalf.

3. We agree that any bid or sell order placed by us shall constitute an irrevocable offer by us to purchase or sell the Securities subject to such bid or sell order, or such lesser amounts of Securities as we shall be required to sell or purchase as a result of such Auction, at the applicable price, all as set forth in the Prospectus, and that if we fail to place a bid or sell order with respect to Securities owned by us with a broker-dealer on any auction date, or a broker-dealer to which we communicate a bid or sell order fails to submit such bid or sell order

to the Trust Company concerned, we shall be deemed to have placed a hold order with respect to such Securities as described in the Prospectus. We authorize any broker-dealer that submits a bid or sell order as our agent in Auctions to execute contracts for the sale of Securities covered by such bid or sell order. We recognize that the payment by such broker-dealer for Securities purchased on our behalf shall not relieve us of any liability to such broker-dealer for payment for such Securities.

4. We agree that, during the applicable period as described in the Prospectus, dispositions of Securities can be made only in denominations set forth in the Prospectus and we will sell, transfer or otherwise dispose of any Securities held by us from time to time only pursuant to a bid or sell order placed in an Auction, to or through a broker-dealer or, when permitted in the Prospectus, to a person that has signed and delivered, or caused to be delivered on its behalf, to the applicable Trust Company a letter substantially in the form of this letter (or other applicable purchaser's letter), provided that in the case of all transfers rather than pursuant to Auctions we or our broker-dealer or our agent member shall advise such Trust Company of such transfer. We understand that a restrictive legend will be placed on certificates representing the securities and stop-transfer instructions will be issued to the transfer agent and/or registrar, all as set forth in the Prospectus. We agree to comply with any other transfer restrictions or other related procedures as described in the Prospectus.

5. We agree that, during the applicable period as described in the Prospectus, ownership of Securities shall be represented by one or more global certificates registered in the name of the applicable securities depository or its nominee, that we will not be entitled to receive any certificate representing the Securities and that our ownership of any Securities will be maintained in book-entry form by the securities depository for the account of our agent member, which in turn will maintain records of our beneficial ownership. We authorize and instruct our agent member to disclose to the applicable Trust Company such information concerning our beneficial ownership of Securities as such Trust Company shall request.

6. We acknowledge that partial deliveries of Securities purchased in Auctions may be made to us and such deliveries shall constitute good delivery as set forth in the Prospectus.

7. This letter is not a commitment by us to purchase any Securities.

8. This letter supersedes any prior-dated version of this master purchaser's letter, and supplements any prior or post-dated purchaser's letter specific to particular Securities; any recipient of this letter may rely upon it until such recipient has received a signed writing amending or revoking this letter.

9. The descriptions of Auction procedures set forth in each applicable Prospectus are incorporated by reference herein and, in case of any conflict between this letter and any such description, such description shall control.

10. Any photocopy or reproduction of this letter shall be deemed of equal effect as a signed original.

11. Our agent member of the securities depository currently is _______________.

12. Our personnel authorized to place orders with broker-dealers for the purposes set forth in the Prospectus in Auctions currently is/are _______________ telephone number _______________.

13. Our taxpayer identification number is _______________.

14. We agree that, during the applicable periods described in the Prospectus, if we decide to link our beneficial ownership of any Securities which permit such linkage with our beneficial ownership of other debt or equity securities which permit such linkage of the Company, or if we decide to break any linkage, we will instruct our agent member or our broker-dealer to link such beneficial ownership or break such linkage in accordance with the procedures set forth in the Prospectus, and we acknowledge that such instruction must be submitted through the applicable Trust Company and may not be given during certain periods described in the Prospectus.

15. We acknowledge that the Securities may be subject to mandatory tender by us as described in the Prospectus. We further agree that if we should receive any payment in connection with any tender transaction to which we are not entitled (as a result of failure of another security holder to provide the tender price or otherwise), we will take such actions (including return of funds and repayment of interest to any party who provided funds to us which they were not obligated to provide) so that all interested parties (including any broker-dealer) are restored to the positions which would have obtained if the tender transactions were effected, or not effected, as the case may be, in accordance with the provisions set forth in the Prospectus.

Dated:_____________________

Mailing address of Purchaser

____

____

____

____

(Name of Purchaser)

By:_____________________________________

Printed Name:_____________________________

Title:____________________________________

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FORM OF MBIA INSURANCE CORPORATION BOND INSURANCE POLICY

MBIA

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

____
President

Attest: ____________________
Assistant Secretary

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