NEW ISSUE - BOOK ENTRY ONLY

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.

$100,890,000
ALASKA HOUSING FINANCE CORPORATION
State Capital Project Bonds
2006 Series A

Dated	Date of delivery.
Due	As shown on inside cover page.
Price	As shown on inside cover page.
Tax Exemption	In the opinion of Bond Counsel and Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions, (i) interest on the 2006 Series A Bonds described above (the "2006 Series A Bonds") is excluded from gross income for Federal income tax purposes; and (ii) interest on the 2006 Series A Bonds is not treated as a preference item to be included in calculating the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended (the "Code") 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 2006 Series A Bonds is free from taxation by the State of Alaska except for inheritance and estate taxes and taxes of transfers by or in anticipation of death. Bond Counsel and Special Tax Counsel express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2006 Series A Bonds. See "Tax Matters."
Redemption	The 2006 Series A Bonds are subject to redemption prior to maturity at 100% of their principal amount as described herein. See "The 2006 Series A Bonds — Redemption Provisions."
Security	**The Bonds are general obligations of the Corporation for which its full faith and credit are pledged, subject to agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets not pledged to the Bonds and to the exclusion of money in the Corporation's Housing Development Fund. The Bonds 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. The 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.**
Insurance	MBIA Insurance Corporation has issued its commitment to insure the payment of the principal of and interest on the 2006 Series A Bonds on regularly scheduled payment dates. See "The MBIA Insurance Corporation Bond Insurance Policy" and Appendix E — "Form of MBIA Insurance Corporation Bond Insurance Policy."
Interest Payment Dates	Each June 1 and December 1, commencing June 1, 2007.
Denominations	$5,000 or any integral multiple thereof.
Closing Date	October 25, 2006.
Bond Counsel	Birch, Horton, Bittner and Cherot.
Special Tax Counsel	Kutak Rock LLP.
Underwriters' Counsel	Hawkins Delafield & Wood LLP.
Trustee	U.S. Bank National Association.
Financial Advisor	First Southwest Company.
Book-Entry System	The Depository Trust Company. See "The 2006 Series A Bonds — Book Entry Only."

The 2006 Series A Bonds (except to the extent not reoffered) are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Bond Counsel, and to the confirmation of certain tax matters by Bond Counsel and Special Tax Counsel, and to certain other conditions.

A.G. Edwards

Bear, Stearns & Co. Inc. **Citigroup** **Goldman, Sachs & Co.** **JPMorgan**

Merrill Lynch **Siebert Brandford Shank & Co., L.L.C.** **UBS Investment Bank**

October 5, 2006

MATURITY SCHEDULE

$35,690,000 2006 Series A Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Price or Yield	CUSIP
June 1, 2007	$ 850,000	4 %	3.46%	011832T51
June 1, 2008	1,450,000	4	3.48	011832T69
June 1, 2009	1,510,000	4	3.51	011832T77
June 1, 2010	1,570,000	4	3.53	011832T85
June 1, 2011	1,630,000	4	3.57	011832T93
June 1, 2012	1,695,000	4	3.62	011832U26
June 1, 2013	1,765,000	4	3.70	011832U34
June 1, 2014	1,835,000	4	3.76	011832U42
June 1, 2015	1,910,000	4	3.82	011832U59
June 1, 2016	1,985,000	4¼	3.88	011832U67
June 1, 2017	2,070,000	4¼	3.98	011832U75
June 1, 2018	2,160,000	4	4.07	011832U83
June 1, 2019	2,245,000	4	4.14	011832U91
June 1, 2020	2,335,000	4⅛	4.21	011832V25
June 1, 2021	2,430,000	5	4.12	011832V33
June 1, 2022	2,550,000	5	4.15	011832V41
June 1, 2023	1,000,000	5	4.18	011832V58
June 1, 2023	1,680,000	4¼	4.40	011832V66
June 1, 2028	3,020,000	4⅜	4.52	011832V90

$12,000,000 3½% 2006 Series A Term Bonds due June 1, 2028
Yield: 4.52% CUSIP: 011832V74

$10,570,000 5% 2006 Series A Term Bonds due June 1, 2031
Yield: 4.28% CUSIP: 011832W24

$21,440,000 5% 2006 Series A Term Bonds due June 1, 2036
Yield: 4.31% CUSIP: 011832W32

$21,190,000 4½% 2006 Series A Term Bonds due June 1, 2040
Yield: 4.66% CUSIP: 011832W40

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 2006 Series A 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 2006 Series A 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 2006 Series A Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2006 Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT
OF
ALASKA HOUSING FINANCE CORPORATION
Relating to
$100,890,000 State Capital Project Bonds
2006 Series A

INTRODUCTION

This Official Statement (including the cover page, inside cover page and appendices) sets forth information in connection with the State Capital Project Bonds, 2006 Series A (the "2006 Series A Bonds") of the Alaska Housing Finance Corporation, a public corporation and government instrumentality of the State of Alaska, created and existing pursuant to the below-defined Act. The 2006 Series A Bonds are authorized to be issued pursuant to Chapters 55 and 56 of Title 18 of the Alaska Statutes, as amended (the "Act"), Chapter 129 SLA 1998, Chapter 130 SLA 2000, and Chapter 1 SSSLA 2002, an Indenture, dated as of December 1, 1998, as amended and supplemented (the "General Indenture"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), and a 2006 Series A Supplemental Indenture, dated as of October 1, 2006 (the "2006 Series A Supplemental Indenture"), by and between the Corporation and the Trustee. All bonds outstanding under the General Indenture (including additional bonds which may hereafter be issued) are referred to collectively as the "Bonds." Each series of Bonds is issued pursuant to a Supplemental Indenture. The General Indenture and all Supplemental Indentures (including the 2006 Series A Supplemental Indenture) are referred to collectively as the "Indenture." The Bonds issued under the Indenture prior to the issuance of the 2006 Series A Bonds are referred to collectively as the "Prior Series Bonds." FOR CERTAIN DEFINITIONS USED IN THIS OFFICIAL STATEMENT, SEE "THE CORPORATION — CERTAIN DEFINITIONS" AND "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — CERTAIN DEFINITIONS." 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.

The 2006 Series A Bonds are the seventh Series of Bonds issued under the Indenture. As of August 31, 2006, the Corporation had issued Prior Series Bonds in the aggregate principal amount of $378,590,000, and as of such date there were Prior Series Bonds Outstanding in the aggregate principal amount of $114,160,000. The Corporation is permitted to issue additional bonds (including refunding bonds) pursuant to and secured under the Indenture ("Additional Bonds"), subject to certain conditions. See "Sources of Payment and Security for the Bonds — Additional Bonds." The 2006 Series A Bonds will be secured on a parity with the Prior Series Bonds and with any Additional Bonds.

The proceeds of the 2006 Series A Bonds will be used to refund certain outstanding obligations of the Corporation, to reimburse the Corporation for certain governmental purpose expenditures, to pay costs of issuance, and to pay underwriters' fees.

Payment of principal of and interest on the 2006 Series A Bonds on regularly scheduled payment dates will be insured by MBIA Insurance Corporation (the "Insurer") pursuant to a financial guaranty insurance policy (the "Policy"). See "The MBIA Insurance Corporation Bond Insurance Policy" for a description of the Insurer and the Policy and see Appendix E for a form of the Policy. PURSUANT TO THE 2006 SERIES A SUPPLEMENTAL INDENTURE, FOR SO LONG AS THE POLICY SHALL BE IN EFFECT WITH RESPECT TO THE 2006 SERIES A BONDS, THE INSURER SHALL BE CONSIDERED TO BE THE OWNER OF THE 2006 SERIES A BONDS FOR PURPOSES OF VOTING OR GIVING CONSENTS UNDER THE INDENTURE. See "Summary of Certain Provisions of the Indenture."

The underwriters listed on the cover page (collectively, the "Underwriters") will act as underwriters with respect to the 2006 Series A Bonds.

The Bonds do not constitute a debt, liability or obligation of the State of Alaska (the "State") or a pledge of the faith and credit or taxing power of the State or 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 primary source of payment for the Bonds will be the Corporation's general unrestricted funds. See "Sources of Payment and Security for the Bonds."

The summaries herein of the 2006 Series A 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 Bonds are general obligations of the Corporation for which its full faith and credit are pledged for the payment of principal of and interest on the Bonds, *subject to* agreements made and to be made with the holders of other obligations of the Corporation pledging particular revenues and assets and the exclusion by the Act of a pledge of funds in the Housing Development Fund. The Bonds are not secured by a pledge of any assets or any fund or account *except* the Accounts (other than the Rebate Account) established under the Indenture. See the definition of Investment Securities under "Summary of Certain Provisions of the Indenture — Certain Definitions." **No mortgage loans will be pledged to the payment of the Bonds.** The 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 following information has been furnished by the Insurer for use in this Official Statement. Reference is made to Appendix E for a specimen of the Policy.

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 2006 Series A Bonds or the advisability of investing in the 2006 Series A Bonds.

The MBIA Insurance Corporation Insurance 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 or its successor 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 2006 Series A 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, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the 2006 Series A 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 2006 Series A 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 2006 Series A 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 2006 Series A Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the 2006 Series A 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 2006 Series A 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 U.S. Bank Trust National Association (a division of the Trustee), 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 2006 Series A Bonds or presentment of such other proof of ownership of the 2006 Series A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2006 Series A Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the 2006 Series A Bonds in any legal proceeding related to payment of insured amounts on the 2006 Series A Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such 2006 Series A Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

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, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of the Insurer are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, the Insurer is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for the Insurer, limits the classes and concentrations of investments that are made by the Insurer and requires the approval of policy rates and forms that are employed by the Insurer. State law also regulates the amount of both the aggregate and individual risks that may be insured by the Insurer, the payment of dividends by the Insurer, changes in control with respect to the Insurer and transactions among the Insurer and its affiliates.

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

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of the Insurer "AAA."

Fitch Ratings 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 2006 Series A 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 2006 Series A Bonds. The Insurer does not guaranty the market price of the 2006 Series A Bonds nor does it guaranty that the ratings on the 2006 Series A Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2005, the Insurer had admitted assets of $11.0 billion (audited), total liabilities of $7.2 billion (audited), and total capital and surplus of $3.8 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2006, the Insurer had admitted assets of $11.3 billion (unaudited), total liabilities of $6.9 billion (unaudited), and total capital and surplus of $4.3 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning the Insurer, see the consolidated financial statements of the Insurer and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 and the consolidated financial statements of the Insurer and its subsidiaries as of June 30, 2006 and for the six month periods ended June 30, 2006 and June 30, 2005 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2006, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by the Insurer with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to the Insurer at its principal executive offices.

Incorporation of Certain Documents by Reference

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

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2005; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

Any documents, including any financial statements of the Insurer and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the 2006 Series A Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. 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 Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2005, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to the Insurer at its principal executive offices.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2006 Series A Bonds, exclusive of accrued interest, are expected to be approximately as follows:

Sources	
Principal Amount of 2006 Series A Bonds	$100,890,000
Original Issue Premium	2,453,648
TOTAL	$103,343,648
Uses	
Refunding of Obligations of the Corporation	$ 82,265,000
Reimbursement of Corporation Governmental Purpose Expenditures	17,735,000
Original Issue Discount	2,405,751
Payment of Underwriting Fee	602,453
Payment of Costs of Issuance	335,444
TOTAL	$103,343,648

THE 2006 SERIES A BONDS

General

The 2006 Series A Bonds will be dated, interest thereon will be payable on the dates, and such bonds will be issuable in the denominations, as set forth on the cover page.

The 2006 Series A Bonds will mature on the dates and in the amounts, and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) from their dated date to maturity (or prior redemption) at the applicable rates, as set forth on the inside cover page.

No transfer or exchange of any 2006 Series A Bond will be required to be made during the five days preceding any date established by the Trustee for the selection of 2006 Series A Bonds for redemption.

The 2006 Series A 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 2006 Series A Bonds. See "Book Entry Only" below.

Redemption Provisions

Sinking Fund Redemption

The 2006 Series A Term 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	2006 Series A Term Bonds Maturing June 1, 2028	2006 Series A Term Bonds Maturing June 1, 2031	2006 Series A Term Bonds Maturing June 1, 2036	2006 Series A Term Bonds Maturing June 1, 2040
June 1, 2024	$2,800,000			
June 1, 2025	2,900,000			
June 1, 2026	3,000,000			
June 1, 2027	3,105,000			
June 1, 2028	195,000†			
June 1, 2029		$3,355,000		
June 1, 2030		3,520,000		
June 1, 2031		3,695,000†		
June 1, 2032			$3,880,000	
June 1, 2033			4,075,000	
June 1, 2034			4,280,000	
June 1, 2035			4,490,000	
June 1, 2036			4,715,000†	
June 1, 2037				$4,955,000
June 1, 2038				5,175,000
June 1, 2039				5,410,000
June 1, 2040				5,650,000†

† Stated Maturity

Any redemption (other than a mandatory redemption from sinking fund payments) of 2006 Series A Term 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

The 2006 Series A Bonds are subject to redemption, on any date on or after June 1, 2016, 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 2006 Series A 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 2006 Series A 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.

Book Entry Only

General

The 2006 Series A Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the 2006 Series A 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 2006 Series A Bonds are immobilized in the custody of DTC, references to holders or owners of 2006 Series A 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 2006 Series A Bonds. The 2006 Series A 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 2006 Series A 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, 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 2006 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2006 Series A 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 2006 Series A 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 2006 Series A Bonds, except in the event that use of the book-entry system for the 2006 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2006 Series A 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 2006 Series A 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 2006 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2006 Series A 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 2006 Series A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2006 Series A Bonds, such as redemptions, tenders, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of 2006 Series A Bonds may wish to ascertain that the nominee holding the 2006 Series A 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 2006 Series A 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 2006 Series A 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 2006 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the 2006 Series A Bonds will be made to Cede, or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede (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 2006 SERIES A 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 2006 SERIES A BONDS, ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2006 SERIES A BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

DTC may discontinue providing its services as securities depository with respect to the 2006 Series A 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, 2006 Series A 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, 2006 Series A 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 2006 Series A Bonds will be payable at the office of the Trustee, as paying agent, upon presentation and surrender of such 2006 Series A 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 2006 Series A Bond (prior to the maturity or earlier redemption thereof) will be made by the

Trustee to the registered owner of such 2006 Series A 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 2006 Series A Bonds.

If bond certificates are issued, the 2006 Series A 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 2006 Series A Bond, nor of any 2006 Series A Bond so selected for redemption, nor 10 days prior to an Interest Payment Date. If any 2006 Series A Bond is mutilated, lost, stolen or destroyed, the Trustee may execute and deliver a new 2006 Series A Bond or 2006 Series A Bonds of the same interest rate, maturity and principal amount as the 2006 Series A Bond or 2006 Series A Bonds so mutilated, lost, stolen or destroyed, provided that such 2006 Series A 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.

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

"1999 Report" means the LB&A report dated June 14, 1999.

"REO" means real estate owned.

"Self-Liquidity Bonds" means, collectively, the Corporation's $33,000,000 Governmental Purpose Bonds (University of Alaska), 1997 Series A; the Corporation's $62,450,000 Housing Development Bonds, 2000 Series A and B; the Corporation's $370,170,000 Governmental Purpose Bonds, 2001 Series A, B, C and D; the Corporation's $37,870,000 Housing Development Bonds, 2002 Series D; and the Corporation's $60,250,000 State Capital Project Bonds, 2002 Series C.

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

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, 2006, had an unamortized principal balance of approximately $3.3 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 outstanding bond issues, including bond redemptions and mortgage prepayments. The Corporation presently intends to continue to provide such information, but is not legally obligated to do so. Certain financial and statistical information relating to the Corporation and its programs under this heading "The Corporation" was obtained from the audited and unaudited financial statements of the Corporation dated June 30, 2005 and March 31, 2006, respectively. Certain additional financial and statistical information relating to the Corporation and its programs under this heading "The Corporation" was obtained from the August 2006 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 Commerce, Community and Economic Development and the Commissioner of Health and Social Services, as well as four members from the following sectors of the general public appointed by the Governor to serve two-year terms: one member with expertise or experience in finance or real estate; one member who is a rural resident of the State or who has expertise or experience with a regional housing authority; one member who has expertise or experience in residential energy efficient home-building or weatherization; and one member who has expertise or experience in the provision of senior or low-income housing. The powers of the Corporation are vested in and exercised by a majority of its Board of Directors then in office, who may delegate such powers and duties as appropriate and permitted under the Act. The Corporation's current members of its Board of Directors are as follows:

Name	Location
Mr. Franklin C. Roppel Chair	Retired Wrangell, Alaska
Mr. Bert Sharp	Retired Fairbanks, Alaska
Mr. Marty Shuravloff	Executive Director, Kodiak Island Housing Authority Kodiak, Alaska
Mr. N. Claiborne Porter	President, NCP Design/Build Ltd. Anchorage, Alaska
Mr. Bill Corbus Commissioner, Alaska Department of Revenue	**Mr. Thomas Boutin (designee)** Deputy Commissioner, Alaska Department of Revenue Juneau, Alaska
Mrs. Karleen Jackson Commissioner, Alaska Department of Health & Social Services	**Ms. Janet Clarke (designee)** Director of Administrative Services, Alaska Department of Health & Social Services Juneau, Alaska
Mr. Bill Noll Commissioner, Alaska Department of Commerce, Community & Economic Development	**Mr. Mark Davis (designee)** Director of Division of Banking and Securities Anchorage, Alaska

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

As of August 31, 2006, the Corporation's staff consisted of approximately 303 employees organized into 10 departments: Administrative Services, Mortgage Operations, Public Housing, Finance and Accounting, Planning and Program Development, Audit, Corporate Communications, Budget, Personnel, and Research and Rural Development. 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 and managed a $1.2 billion capital improvement program while at the Borough. Mr. Fauske holds a master's degree in business administration from Gonzaga University.

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

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

Mark Romick - Director, Planning and Program Development. This department is responsible for the Corporation's program planning, grant writing and fund development. Mr. Romick has worked in the department since 1993 and also worked at the Authority prior to its merger with the Corporation. Mr. Romick has been in state government service since 1987, has held other planning positions and has managed the federal Low-Income Housing Tax Credit program since 1989. Mr. Romick holds a Bachelor of Science degree in economics from the University of the Pacific and a Masters of Science degree in Resource Economics from the University of Alaska.

Robert L. Brean - Director, Research and Rural Development. 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.

Bryan D. Butcher - Director, Governmental Relations and Public Affairs. Mr. Butcher joined the Corporation in January 2003, and previously served as Legislative Liaison/Special Assistant. Prior to joining the Corporation, Mr. Butcher worked for the Alaska State Legislature as a Senior Finance Aide for the House and Senate Finance Committees from 1989 until 2002. Mr. Butcher holds a Bachelor of Science degree in Speech Communications from the University of Oregon.

Nola Cedergreen - Director, Administrative Services. Ms. Cedergreen is responsible for risk management, procurement, record management, asset management and 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 and an Associate in Risk Management certification from the American Institute for CPCU and Insurance Institute of America.

Paul M. Kapansky - Director, Mortgage Operations. 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.

R. Kevin Tune - Director, Audit/Internal Audit. 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. Mr. Weir assumed his current duties in April 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.

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

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

Activities of the Corporation

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 1,687 units of Low Rent and Section 8 New Construction/Additional Assistance housing to serve low-income families, disabled persons and seniors in 14 different communities throughout Alaska. The Division also administers the rent subsidies for approximately 4,112 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, State agencies, or municipalities within 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. Ten loan commitments totaling approximately $39.0 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, which is applied to the first $250,000 of the loan only, 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, 2006, the Rural Housing Program included mortgage loans with an aggregate outstanding principal balance of approximately $787.8 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, 2006, the Streamlined Refinance Program included mortgage loans with an aggregate outstanding principal balance of approximately $284.7 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 approximately $5.4 million in small communities and 858 loans with an original principal balance of approximately $87.2 million 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 mortgage loans under the Tax-Exempt First Time Homebuyer Program during fiscal year 2005 with an approximate original principal balance of $172.0 million and during the fourteen months ended August 31, 2006 with an approximate original principal balance of $192.0 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 the Corporation purchased mortgage loans under the Taxable First Time Homebuyer Program during fiscal year 2005 with an approximate original principal balance of $93.3 million and during the fourteen months ended August 31, 2006 with an approximate original principal balance of $76.0 million.

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 23 series of bonds totaling approximately $570.3 million 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 approximately $2.3 billion principal amount of State-guaranteed Veterans Bonds, of which approximately $293.0 million principal amount was outstanding as of August 31, 2006. On September 19, 2006, the Corporation issued $190.0 million principal amount of its Collateralized Bonds, 2006 First Series (Veterans Mortgage Program). The Corporation purchased mortgage loans under the Veterans Mortgage Program during fiscal year 2005 with an approximate original principal balance of $12.7 million and during the fourteen months ended August 31, 2006 with an approximate original principal balance of $21.5 million.

Governmental Purpose Bonds. As of August 31, 2006, the Corporation has issued approximately $973.2 million principal amount of Governmental Purpose Bonds primarily to finance capital expenditures of the State for governmental purposes, with certain proceeds available for general corporate purposes.

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. In 2005, the Corporation issued $16,885,000 General Housing Purpose Bonds, 2005 Series C to economically defease $16,485,000 of the State Building Lease Bonds, Series 1999, and redeem them on their earliest optional redemption date in 2010.

State Capital Projects. Pursuant to the Act and legislation enacted in 1998, 2000, 2002 and 2004, the Corporation issued bonds to finance designated capital projects of State agencies and instrumentalities. As of August 31, 2006, the Corporation has issued $381.2 million principal amount of bonds and disbursed $342.0 million of bond proceeds for these authorized projects.

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, 2006, the Corporation through this program had purchased mortgage loans with an aggregate principal balance outstanding of $214.0 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, 2006

	Tax-Exempt Bonds	Taxable Bonds And Notes[(1)]	Total
Amount Issued	$10,782,799	$4,313,215	$15,096,014
Amount Outstanding	$2,773,288	$207,435	$2,980,723

(1) Excluding $150.0 million of Commercial Paper and $94.0 million of Reverse Repurchase Agreements with maturities not in excess of 180 days.

During the fourteen months ended August 31, 2006 and the fiscal year ended June 30, 2005, the Corporation redeemed, exclusive of scheduled maturities and sinking fund payments, a total of $385.2 million and $150.6 million, 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. Of the debt redeemed during the fourteen months ended August 31, 2006, $149.6 million of such amount consisted of the refunding of the Corporation's Governmental Purpose Bonds, 1995 Series A.

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, 2006, $150.0 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, currently in the amount of $200 million, on July 26, 2004 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, and as of August 31, 2006, there were outstanding balances aggregating $94.0 million.

Since December 1997, the Corporation has issued nine series of Self-Liquidity Bonds. As of August 31, 2006, approximately $392.8 million 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 $408,675,000 of long-term debt issued by the Corporation during the fourteen months ended August 31, 2006 to continue its various ongoing lending programs.

Title of Issue	Date Issued	Program/Project Funded	Tax Status
$160,000,000 Collateralized Bonds, 2005 First Series and 2005 Second Series (Veterans Mortgage Program)	December 29, 2005	Qualified Mortgage Loan Purchase	Tax-Exempt
$98,675,000 Home Mortgage Revenue Bonds, 2006 Series A	January 26, 2006	Qualified Mortgage Loan Purchase	Tax-Exempt
$75,000,000 Home Mortgage Revenue Bonds, 2006 Series B	March 23, 2006	Qualified Mortgage Loan Purchase	Tax-Exempt
$75,000,000 Home Mortgage Revenue Bonds, 2006 Series C	July 20, 2006	Qualified Mortgage Loan Purchase	Tax-Exempt

In addition, on September 19, 2006, the Corporation issued $190.0 million principal amount of its Collateralized Bonds, 2006 First Series (Veterans Mortgage Program).

Recent Financial Results of Operations

Reference is made to the audited and unaudited financial statements of the Corporation, which show that the Corporation's operating income for the fiscal year ended June 30, 2005 was $40.1 million, and operating income for the nine months ended March 31, 2006 was $33.7 million, respectively. See "Financial Statements" and Appendix A — "Financial Statements of the Corporation."

The following is a summary of revenues, expenses and changes in net assets for the nine months ended March 31, 2006 and each of the four fiscal years ended on or prior to June 30, 2005, which have been derived from the Corporation's unaudited and audited financial statements, respectively, prepared on a combined fund basis.

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

	Fiscal Year Ended June 30				(Unaudited) Nine Months Ended March 31,
	2002	**2003**	**2004**	**2005**	**2006**
Operating Revenues					
Mortgage and loan revenue	$222,446	$220,393	$206,300	$201,386	$145,672
Investment income	71,226	66,890	36,804	41,509	39,967
Externally funded program revenues	46,283	53,702	56,084	57,877	46,691
Rental and lease income	7,034	6,812	6,109	6,183	4,907
Other	2,241	644	743	2,252	503
Total Operating Revenue	349,230	348,441	306,040	309,207	237,740
Operating Expenses					
Interest	174,582	172,939	151,165	141,161	107,769
Mortgage Servicing Fees	12,933	12,894	13,059	13,130	9,829
Operations and administration	32,393	35,339	36,240	35,530	28,627
Financing costs - direct and amortized	4,823	5,118	6,236	7,760	5,731
Excess interest earnings to be rebated	(2,626)	5,378	(68)	4,181	832
Loan loss related items	2,690	(12,232)	(1,861)	(103)	(1,835)
Housing Grants	19,861	30,371	24,433	30,350	27,456
Federally funded rental subsidies	19,659	21,652	24,207	26,156	17,469
Rental housing operating expenses	9,255	9,905	10,149	10,985	8,125
Total Operating Expenses	273,570	281,364	263,560	269,150	204,003
Operating Income	75,660	67,077	42,480	40,057	33,737
Nonoperating Revenues (Expenses), Special Items & Transfers					
Settlement Income					
Contributions to the State of Alaska or other State agencies	(85,562)	(95,321)	(66,136)	(67,288)	(41,066)
Special items[1]	2,035	0	(7,451)	3,845	7,126
HUD Capital Contributions					
Change in net assets	(7,867)	(28,244)	(31,107)	(23,386)	(203)
Net Assets Beginning of year	1,773,677	1,765,810	1,737,566	1,706,459	1,683,073
Net Assets End of Year	$1,765,810	$1,737,566	$1,706,459	$1,683,073	$1,682,870

(1) Special items. See Note 20 to the June 30, 2002 financial statements regarding the write-off of assets and liabilities related to the closing of an inactive program; Note 22 to the June 30, 2004 financial statements regarding prepayment premiums on early bond redemptions; Note 21 to the June 30, 2005 financial statements regarding the sale of the Aurora Military Loan I; and Note 22 to the March 31, 2006 financial statements regarding the sale of the Aurora Military Loan II.

Mortgage Loan Delinquency Experience of the Corporation

The following two tables summarize the Corporation's delinquency experience at the dates indicated with respect to all mortgage loans held by the Corporation regardless of the program under which such loans were acquired. In August 2003, the Corporation began including Mobile Homes II in its delinquency reports and began reporting its delinquency statistics based on aggregate dollar amounts of mortgage loans rather than numbers of loans.

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

Date	Number of Loans less Mobile Homes II	Total Past Due	30 Days	60 days	90 Days or More	Number of Loans Foreclosed During Calendar Year or Portion Indicated
December 31, 1992	37,332	4.12%	2.73%	0.66%	0.73%	265
December 31, 1993	30,196	3.90	2.77	0.59	0.54	192
December 31, 1994	29,688	3.49	2.52	0.50	0.48	103
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	59
December 31, 1998	26,329	3.11	2.24	0.56	0.12	41
December 31, 1999	26,915	2.97	2.00	0.60	0.37	36
December 31, 2000	29,163	3.38	2.38	0.65	0.35	48
December 31, 2001	29,924	3.49	2.48	0.56	0.45	59
December 31, 2002	28,441	3.99	2.92	0.68	0.39	57

(1) Percentages based on number of loans.

Percent of Total Loans with Installments Past Due[1]

Date	Mortgage Loans	Total Past Due	30 Days	60 Days	90 Days or More	Mortgage Loans Foreclosed During Calendar Year or Portion Indicated[1]
December 31, 2003	$3,348,640,801	2.71%	1.91%	0.44%	0.36%	$6,110,629
December 31, 2004	3,374,398,996	2.75	1.89	0.54	0.32	5,914,595
December 31, 2005	3,280,356,326	2.78	1.85	0.52	0.41	3,527,118
August 31, 2006[2]	3,269,452,967	2.97	1.80	0.64	0.52	2,145,499

(1) As of August 2003, all percentages are based on dollar values, and include Mobile Homes II.

(2) At August 31, 2006, the Corporation's REO portfolio, including Insurance Receivables, had an aggregate value of $326,869.

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

The Current Transfer Plan

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

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

In 2000, the Legislature extended the Transfer Plan (as described above) through fiscal year 2008. In 2003, the Legislature extended the Transfer Plan indefinitely, further providing that the amount transferred in each fiscal year beginning with fiscal year 2007 should not in each case exceed the lesser of the following respective amounts:

Fiscal Year	**Not to Exceed the Lesser of**
2007	$103,000,000 or 95% of net income
2008	$103,000,000 or 85% of net income
2009 and thereafter	$103,000,000 or 75% of net income

In addition, in 2003, the Legislature authorized the issuance of $60,250,000 in capital project bonds for the renovation and deferred maintenance of the Corporation's Public Housing facilities. Debt service payments on such bonds are categorized as transfers pursuant to the Transfer Plan.

Aggregate Transfers to Date under the Transfer Plan

The following reflects the aggregate transfers the Corporation has made to the State through June 30, 2005, 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-FY02	FY02	FY03	FY04	FY05	Total
State Debt Repaid Early	$ 29,800,000	0	0	0	0	$ 29,800,000
State Asset Purchases	252,300,000	0	0	0	0	252,300,000
Dividend Plan Payments	114,300,000	0	0	0	0	114,300,000
State Equity Transfers	468,027,000	$ 6,000,000	$18,700,000	$ 8,861,000	$29,618,000	531,206,000
Other State Appropriations	0	0	0	0	2,078,000	2,078,000
State Capital Project Bond Fund	111,694,000	49,290,000	49,676,000	32,617,000	13,220,000	256,497,000
Non-Housing Capital Projects	152,550,000	30,272,000	26,945,000	24,658,000	22,372,000	256,797,000
Total	$1,128,671,000	$85,562,000	$95,321,000	$66,136,000	$67,288,000	$1,442,978,000

Corporation Budget Legislation

The Corporation's fiscal year 2006 operating budget was approved by the Legislature at approximately the amount submitted during the fiscal year 2005 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 2006 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 2005 and 2006.

Amounts Made Available by the Corporation

	FY2006	FY2005
Transfer plan Total Available	$103,000,000	$103,000,000
Appropriations Enacted for Corporation		
Housing and Related Expenditures of Other Agencies	0	0
Debt Service on State Capital Project Bonds and University of Alaska Bonds of the Corporation	59,895,400	53,894,000
Other State Capital and Operating Expenditures	25,136,400	36,221,000
Housing Program Expenditures Appropriated to the Corporation	17,968,200	12,885,000
TOTAL	$103,000,000	$103,000,000

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."

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)

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

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

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

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

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

"Fitch" means Fitch Ratings.

"Government Obligations" means:

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

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

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

"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."

"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.

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

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

In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of the Indenture shall be a part of the contract of the Corporation with the holders of Bonds and shall be deemed to be and shall constitute a contract between the Corporation, the Trustee and the holders from time to time of the Bonds. The pledges and assignments made by the Indenture and the provisions, covenants and agreements set forth in the Indenture to be performed by or on behalf of the Corporation shall be for the equal benefit, protection and security of the holders of any and all of such Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Indenture (and, in particular, except that one or more Series of Bonds may be issued with Credit Enhancement which, as permitted by the Indenture, may be pledged to such Series of Bonds and, at the Corporation's sole discretion, may not benefit any other Series of Bonds).

Issuance and Delivery of Bonds (Section 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 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 shall, at the written direction of the Corporation, purchase Bonds at such times, for such prices, in such amounts, and in such manner (whether after advertisement for tenders or otherwise) as the Corporation may determine and as may be possible with the amount of money available in the Revenue Account.

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

Rebate Account (Section 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 given as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys are not so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Payment of Bonds (Section 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 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; provided, however, that no such declaration with respect to Bonds secured by Credit Enhancement may be annulled, regardless of any consent of Bondholders, unless and until the Credit Enhancer has verified to the Trustee in writing that the Credit Enhancement is in effect with respect to such Bonds to the same extent that it would have been in effect had the declaration not been made.

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

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

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

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

Opinions of Bond Counsel and Special Tax Counsel

In the opinions of Bond Counsel and Special Tax Counsel, to be delivered on the date of issuance of the 2006 Series A Bonds, under existing laws, regulations, rulings and judicial decisions, (i) interest on the 2006 Series A Bonds is excluded from gross income for Federal income tax purposes; and (ii) interest on the 2006 Series A Bonds is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code; however, interest on the 2006 Series A Bonds is included in the adjusted current earnings (*i.e.,* alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

In the opinion of Bond Counsel, interest on the 2006 Series A Bonds is free from taxation by the State under existing law (*except* that no opinion is expressed as to such exemption from State estate and inheritance taxes and taxes of transfers by or in anticipation of death).

Certain Requirements of the Code

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 2006 Series A Bonds. The Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 of the Corporation, which will be delivered concurrently with the delivery of the 2006 Series A 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 2006 Series A 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 2006 Series A Bonds being included in Federal gross income, from the date of issuance of the 2006 Series A 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 2006 Series A Bonds may affect the tax status of interest on the 2006 Series A Bonds.

Although Bond Counsel and Special Tax Counsel will each render an opinion that interest on the 2006 Series A Bonds will be excluded from gross income for Federal income tax purposes, the accrual or receipt of interest on the 2006 Series A Bonds may otherwise affect the Federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond

Counsel and Special Tax Counsel express no opinion regarding any such consequences. Purchasers of the 2006 Series A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the 2006 Series A 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 2006 Series A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the 2006 Series A 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 Discount

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

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

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

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

Original Issue Premium

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

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (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, 2007, 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 2006 Series A 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 2006 Series A 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 is expected to assign the 2006 Series A Bonds a rating of "AAA", Moody's is expected to assign the 2006 Series A Bonds a rating of "Aaa", and Fitch is expected to assign the 2006 Series A Bonds a rating of "AAA". The assignment of such respective ratings by S&P, Moody's and Fitch to the 2006 Series A Bonds is conditioned upon the delivery of the Policy by the Insurer substantially in the form set forth as Exhibit E hereto at the time of delivery of the 2006 Series A Bonds. Such ratings on the 2006 Series A Bonds will expire on the termination of the Policy. The obligation of the Underwriters to purchase the 2006 Series A Bonds is conditioned on the assignment by S&P, Moody's and Fitch of the respective aforementioned ratings to the 2006 Series A 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 2006 Series A Bonds.

FINANCIAL STATEMENTS

The unaudited financial statements of the Corporation as of and for the nine months ended March 31, 2006, included in Appendix A to this Official Statement, appear without review or audit by an independent accountant.

Copies of the Corporation's annual financial statements as of and for the year ended June 30, 2005 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.

Copies of the Corporation's annual financial statements as of and for the year ended June 30, 2006 and the Corporation's then-current annual report are expected to be available prior to the delivery of the 2006 Series A Bonds or soon thereafter, and 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, 2005, included in Appendix A to this Official Statement, have been audited by Mikunda, Cottrell & Co., independent auditors, as stated in their report appearing herein.

LITIGATION

There is no controversy or litigation of any material nature now pending or threatened to restrain or enjoin the issuance, sale, execution, authentication, or delivery of the 2006 Series A Bonds, or in any way contesting or affecting the validity of such 2006 Series A 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 2006 Series A Bonds, or the existence or powers of the Corporation.

LEGAL MATTERS

All legal matters incident to the authorization, sale and delivery of the 2006 Series A Bonds and certain Federal and state tax matters are subject to the approval of Birch, Horton, Bittner and Cherot, Bond Counsel. Certain Federal tax matters will be passed upon for the Corporation by Kutak Rock LLP, Special Tax Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP.

STATE NOT LIABLE ON BONDS

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

LEGALITY FOR INVESTMENT

Subject to any applicable Federal requirements or limitations, the 2006 Series A 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 2006 Series A Bonds.

UNDERWRITING

The 2006 Series A Bonds are being purchased by the Underwriters. The Underwriters have jointly and severally agreed to purchase the 2006 Series A Bonds at the prices set forth on the inside cover page, including any indicated original issue premium, plus accrued interest, if any. The Underwriters will be paid a fee of $602,453.12 with respect to the 2006 Series A Bonds. The Bond Purchase Agreement with respect to the 2006 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 2006 Series A Bonds may be changed from time to time by the Underwriters. The Bond Purchase Agreement with respect to the 2006 Series A Bonds provides that the Underwriters may offer and sell the 2006 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 2006 Series A Bonds set forth on the inside cover page.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Corporation in connection with the issuance of the 2006 Series A Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the 2006 Series A Bonds is contingent upon the issuance and delivery of the 2006 Series A Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 2006 Series A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

FORWARD-LOOKING STATEMENTS

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

ADDITIONAL INFORMATION

The summaries and references herein to the Act, the 2006 Series A 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 2006 Series A Bonds.

APPENDIX A

FINANCIAL STATEMENTS OF THE CORPORATION

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Alaska Housing
FINANCE CORPORATION

a component unit of the State of Alaska

Quarterly Unaudited Financial Statements
March 31, 2006

With Summarized Financial Information for June 30, 2005

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This is an unaudited quarterly publication of Alaska Housing Finance Corporation.
For comments or questions:
Web site: **http://www.ahfc.us/financials.htm**
E-Mail: **dboyce@ahfc.state.ak.us**

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
As of March 31, 2006
(with summarized financial information for June 30, 2005)
(in thousands of dollars)
Unaudited

	Administrative Fund	Housing Development Bonds	Other Non-Major Funds
ASSETS			
Current			
Cash	7,303	-	4,211
Investments	411,180	25,535	369,720
Accrued interest receivable	3,491	2,272	16,064
Mortgage loans, notes and other loans	14,781	6,486	60,123
Net investment in direct financing lease	-	-	2,025
Other assets	5,302	66	7,942
Intergovernmental receivable	34	-	514
Total Current	442,091	34,359	460,599
Non Current			
Investments	-	130,881	578,621
Mortgage loans, notes and other loans, net of allowance	619,202	277,955	2,281,037
Net investment in direct financing lease	-	-	27,085
Unamortized bond issuance costs	-	3,780	20,989
Capital assets - non-depreciable	148	-	45,248
Capital assets - depreciable, net	250	-	74,052
Other assets	1,633	-	42
Total Non Current	621,233	412,616	3,027,074
Total Assets	1,063,324	446,975	3,487,673
LIABILITIES			
Current			
Bonds and notes payable	-	6,280	206,933
Short term debt	204,703	-	-
Accrued interest payable	874	5,678	37,501
Other liabilities	3,317	417	3,435
Intergovernmental payable	-	-	2,358
Total Current	208,894	12,375	250,227
Non Current			
Bonds and notes payable	-	403,990	2,433,379
Other liabilities	640	-	5,597
Total Non Current	640	403,990	2,438,976
Total Liabilities	209,534	416,365	2,689,203
NET ASSETS			
Invested in capital assets, net of related debt	398	-	118,766
Restricted by bond resolutions	-	30,610	608,637
Restricted by contractual or statutory agreements	112,693	-	73,555
Unrestricted net assets, (deficit)	740,699	-	(2,488)
Total Net Assets	853,790	30,610	798,470

See accompanying notes to the financial statements.

Exhibit A

Total March 31, 2006	Total June 30, 2005
11,514	9,769
806,435	699,453
21,827	20,762
81,390	83,364
2,025	1,799
13,310	11,364
548	715
937,049	827,226
709,502	519,962
3,178,194	3,241,818
27,085	31,044
24,769	25,135
45,396	40,691
74,302	75,382
1,675	1,675
4,060,923	3,935,707
4,997,972	4,762,933
213,213	90,977
204,703	138,375
44,053	14,147
7,169	19,264
2,358	3,007
471,496	265,770
2,837,369	2,807,753
6,237	6,337
2,843,606	2,814,090
3,315,102	3,079,860
119,164	115,519
639,247	589,070
186,248	157,954
738,211	820,530
1,682,870	1,683,073

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Nine Months Ended March 31, 2006
(with summarized financial information for June 30, 2005)
(in thousands of dollars)
Unaudited

	Administrative Fund	Housing Development Bonds	Other Non-Major Funds
OPERATING REVENUES			
Mortgage and loans revenue	31,626	15,910	98,136
Investment interest	11,746	3,759	24,894
Net change in the fair value of investments	(1,686)	255	999
Total Investment Revenue	10,060	4,014	25,893
Externally funded programs	-	-	46,691
Rental	-	-	4,907
Other	61	-	442
Total Operating Revenues	41,747	19,924	176,069
OPERATING EXPENSES			
Interest	5,035	14,496	88,238
Mortgage and loan costs	2,349	486	6,994
Operations and administration	2,559	1,163	24,905
Financing expenses	829	779	4,955
Provision for loan loss	808	(837)	(1,806)
Housing grants and subsidies	406	-	44,519
Rental housing operating expenses	-	-	8,125
Total Operating Expenses	11,986	16,087	175,930
Operating Income (Loss)	29,761	3,837	139
NONOPERATING EXPENSES, SPECIAL ITEM & TRANSFERS			
Contributions to the State of Alaska or other State agencies	(18,906)	-	(22,160)
Special Item (note 22)	7,126	-	-
Transfers - Internal	(99,243)	44,374	54,869
Change in Net Assets	(81,262)	48,211	32,848
Net assets at beginning of year	935,052	(17,601)	765,622
Net Assets at End of Period	853,790	30,610	798,470

See accompanying notes to the financial statements.

Exhibit B

Total March 31, 2006	Year Ended June 30, 2005
145,672	201,386
40,399	43,162
(432)	(1,653)
39,967	41,509
46,691	57,877
4,907	6,183
503	2,252
237,740	309,207
107,769	141,161
9,829	13,130
28,627	35,530
6,563	11,941
(1,835)	(103)
44,925	56,506
8,125	10,985
204,003	269,150
33,737	40,057
(41,066)	(67,288)
7,126	3,845
-	-
(203)	(23,386)
1,683,073	1,706,459
1,682,870	1,683,073

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
For the Nine Months Ended March 31, 2006
(with summarized financial information for June 30, 2005)
(in thousands of dollars)
Unaudited

	Administrative Fund	Housing Development Bonds	Other Non-Major Funds
Cash flows from operating activities:			
Interest income on mortgages and loans	26,752	15,548	94,004
Principal payments received on mortgages and loans	45,743	29,977	341,966
Purchases of mortgages and loans	(373,185)	-	-
Receipt (payment) for loan transfers between funds	232,998	(22,113)	(210,885)
Payments to employees and other payroll disbursements	(21,217)	-	-
Payments for goods and services	(35,837)	(41)	(29)
Cash received for externally funded programs	761	-	20,748
Cash received for Federal HAP subsidies	-	-	23,848
Payments for Federal HAP subsidies	-	-	(22,793)
Other operating cash receipts	41,051	-	5,991
Other operating cash payments	(2,571)	-	(11)
Net cash provided by (used for) operating activities	(85,505)	23,371	252,839
Cash flows from noncapital financing activities:			
Proceeds from the issuance of bonds	-	-	335,806
Principal paid on bonds	-	(12,770)	(165,847)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(1,585)	-	-
Interest paid	(4,764)	(10,390)	(62,367)
Proceeds from issuance of short term debt	1,272,624	-	-
Payment of short term debt	(1,206,399)	-	-
Contributions to the State of Alaska or other State agencies	(25,122)	-	(16,294)
Transfers (to) from other funds	15,758	1,242	(17,000)
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	50,512	(21,918)	74,298
Cash flows from capital financing activities:			
Acquisition of capital assets	(7,420)	-	-
Proceeds from the disposal of capital assets	-	-	-
Proceeds from the issuance of capital notes	-	-	-
Principal paid on capital notes	(23)	-	(1,328)
Payment of bond issuance costs	-	-	-
Interest paid on capital notes	(1)	-	(1,258)
Proceeds from the direct financing lease payments	-	-	2,535
Net cash provided by (used for) capital financing activities	(7,444)	-	(51)
Cash flows from investing activities:			
Purchase of investments	(4,236,323)	(232,517)	(2,453,111)
Proceeds from maturity of investments	4,271,922	225,999	2,104,313
Interest received from investments	11,939	4,721	18,700
Net cash provided by (used for) investing activities	47,538	(1,797)	(330,098)
Net Increase (decrease) in cash	5,101	(344)	(3,012)
Cash at the beginning of year	2,202	344	7,223
Cash at the end of period	7,303	-	4,211
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	29,761	3,837	139
Adjustments:			
Depreciation expense	80	-	3,576
Provision for loan losses	808	(837)	(1,806)
Amortization of bond issuance costs	-	109	1,686
Net change in the fair value of investments	1,686	(255)	(999)
Transfers between funds for operating activity	(64,203)	1,277	62,926
Interest received from investments	(11,939)	(4,721)	(18,700)
Interest paid	4,765	10,390	63,625
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	(62,817)	7,864	131,081
Net increase (decrease) in assets and liabilities	16,354	5,707	11,311
Net cash provided by (used for) operating activities	(85,505)	23,371	252,839
Noncash investing, capital and financing activities:			
Asset transfers	(41,696)	41,366	330

See accompanying notes to the financial statements.

Exhibit C

Total March 31, 2006	Year Ended June 30, 2005
136,304	201,929
417,686	542,245
(373,185)	(567,521)
-	-
(21,217)	(25,535)
(35,907)	(49,520)
21,509	22,611
23,848	32,908
(22,793)	(32,916)
47,042	62,961
(2,582)	(7,012)
190,705	180,150
335,806	405,993
(178,617)	(240,366)
-	(173,820)
(1,585)	(3,518)
(77,521)	(143,086)
1,272,624	828,416
(1,206,399)	(760,477)
(41,416)	(65,828)
-	-
-	(130)
102,892	(152,816)
(7,420)	(11,055)
-	739
-	24,000
(1,351)	(1,106)
-	(200)
(1,259)	(1,033)
2,535	-
(7,495)	11,345
(6,921,951)	(7,751,993)
6,602,234	7,675,078
35,360	40,066
(284,357)	(36,849)
1,745	1,830
9,769	7,939
11,514	9,769
33,737	40,057
3,656	5,072
(1,835)	(103)
1,795	2,725
432	1,653
-	-
(35,360)	(40,066)
78,780	144,119
76,128	22,192
33,372	4,501
190,705	180,150

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NOTES TO FINANCIAL STATEMENTS
Unaudited

FOR THE NINE MONTHS ENDED MARCH 31, 2006
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2005)

1 AUTHORIZING LEGISLATION AND FUNDING

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

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

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

The 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 and 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 is not included in the Corporation's financial statements. NTSC is a government instrumentality of, but separate and apart from, the State and is reported as a blended component unit in the State's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

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

Summarized financial information for fiscal year 2006 has been presented in the accompanying financial statements in order to provide an understanding of changes in the Corporation's entity-wide financial position, results of operations and cash flows on an entity-wide basis. However, the summarized financial information is not intended to present the financial position, result of operations or cash flows in accordance with accounting principles generally accepted in the United States of America.

NOTES TO FINANCIAL STATEMENTS
Unaudited

Major and Non-Major Funds

The Corporation reports the following major and non-major funds:

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

Housing Development Bonds. This fund accounts for debt issued and assets pledged for payment of the debt under the bond indentures for Housing Development projects.

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 Net Assets

The restricted net asset amounts of the Administrative Fund consist of the Corporation's remaining commitments to the State (refer to Footnote No. 16, State Authorizations and Commitments, for further details). The remaining resources of the Administrative Fund are unrestricted.

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The significant estimate for the Corporation is the allowance for loan losses.

Investments

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

Accrued Interest Receivable on Loans and Real Estate Owned

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

Loans and Allowances for Estimated Loan Losses

Mortgage loans are carried at their unpaid principal balances net of allowance for estimated loan losses. Mortgage loans are recorded as amounts are disbursed.

The Corporation provides for possible losses on loans 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.

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Real Estate and Mobile Homes Owned

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

Depreciation

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

Bonds and Notes

The Corporation issues bonds and notes to provide capital for its mortgage programs, and other uses consistent with its mission. The bonds and notes are recorded at cost plus accreted interest and premiums, less discounts and deferred debt refunding expenses. Discounts and premiums are amortized using the 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 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.

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3 CASH AND INVESTMENTS

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

	March 31, 2006	June 30, 2005
Restricted cash	$ 4,211	$ 7,567
Unrestricted	7,303	2,202
Carrying amount	$ 11,514	$ 9,769
Bank balance	$ 12,429	$ 11,570

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

	Investment Maturities (in Years)					
	Less Than 1	1-5	6-10	More Than 10	March 31, 2006	June 30, 2005
Bank investment contracts	$ 209,556	$ -	$ -	$ -	$ 209,556	$ 198,848
U.S. Treasury securities	161,933	18,445	-	-	180,378	73,603
Securities of U.S. Government agencies and corporations	182,459	34,675	761	659	218,554	256,002
Asset-backed securities	851	11,787	-	-	12,638	24,067
Certificates of deposit	15,000	-	-	-	15,000	15,000
Commercial paper & medium term notes	687,548	29,059	1,302	-	717,909	489,860
Guaranteed investment contracts	130,088	-	-	-	130,088	128,907
Money market funds	31,814	-	-	-	31,814	33,128
Total investments	$1,419,249	$ 93,966	$ 2,063	$ 659	$1,515,937	$1,219,415

Restricted Investments

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

	March 31, 2006	June 30, 2005
Restricted investments	$ 1,217,450	$ 857,599
Unrestricted	298,487	361,816
Carrying amount	$ 1,515,937	$ 1,219,415

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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):

	March 31, 2006	June 30, 2005
Ending unrealized holding gain	$ 2,023	$ 423
Beginning unrealized holding gain (loss)	423	(745)
Net change in unrealized holding gain (loss)	1,600	1,168
Net realized loss	(2,032)	(2,821)
Net decrease in Fair Value	$ (432)	$ (1,653)

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

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

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

- Obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States;
- Obligations of U.S. government-sponsored agencies, including mortgage securities, that are not backed by the full faith and credit of the U.S. Government;
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of, and deposits with, any bank the short-term obligations of which have been rated at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch;
- Deposits in and investments of a commercial bank or credit union which are fully insured by the FDIC or NCUA or, to the extent not insured by the FDIC or NCUA, provide for the pledge of collateral maintained at a minimum level of 105% and valued at least monthly;
- Debt obligations, other than those that do not have a fixed par value or terms that do not promise a fixed dollar amount at maturity or call date, rated at least "AA" by S&P or "Aa" by Moody's or "AA" by Fitch if maturing in excess of one year, and "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch if maturing in one year or less;
- Asset-backed securities, other than commercial paper and those that do not have a fixed par value or terms that do not promise a fixed dollar amount at maturity or call date, rated at least "AA" by S&P or "Aa" by Moody's or "AA" by Fitch;
- Commercial paper, including asset-backed commercial paper, rated at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch;
- Repurchase agreements (repos) with a corporation or other entity which has long-term debt ratings of at least "A" by S&P or "A" by Moody's or "A" by Fitch or short-term ratings of at least "A-1" by S&P or "P-1" by Moody's or "F-1" by Fitch and where collateral is maintained at a minimum level of 102%, valued on a daily basis;
- Money market funds which are rated at least "AAm" or "AAm-G" by S&P or "Aa" by Moody's, or "V-1+" by Fitch;
- Investment agreements or guaranteed investment contracts with an insurance company, bank or other financial institution having outstanding unsecured long-term obligations rated, or a claims paying or investment agreement rating, at least "AA" by S&P or "Aa" by Moody's or "AA" by Fitch, or, if the term is one year or less, at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch;

- Floating rate notes issued by entities having outstanding unsecured long-term obligations rated “AA” by S&P or “Aa” by Moody’s or “AA” by Fitch, or, if the term of the floating rate note is one year or less, having outstanding short-term obligations rated at least “A-1” by S&P or “P-1” by Moody’s or “F1” by Fitch; with interest rates subject to adjustment at least every 100 days; and with a maximum maturity of three years or less, or an optional tender available to bondholders no less frequently than every interest rate reset date;
- Adjustable rate funds, provided they are rated “AAAf” credit and “S-1” volatility by S&P and “Aaa” by Moody’s;
- International Bank for Reconstruction & Development debt obligations rated “AAA” by S&P or “Aaa” by Moody’s or “AAA” by Fitch.

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

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

The credit quality ratings of the Corporation’s investments as of March 31, 2006, as described by nationally recognized statistical rating organizations, are shown below (in thousands). $180,378,000 of U.S. Treasury securities and securities of agencies and corporations which are explicitly guaranteed by the U.S. government are not considered to have credit risk and therefore, are not included in the summary.

	Moody’s	S & P	Investment Fair Value
Securities of U. S. Government agencies and corporations:			
	Aaa	AAA	$ 218,554
Asset-backed securities:			
	Aaa	AAA	11,311
Commercial paper & medium-term notes:			
	Aaa	AAA	7,378
	Aa1	AA+	1,946
	Aa1	AA-	1,945
	Aa2	AA	2,077
	Aa2	AA-	6,858
	Aa2	A+	2,052
	Aa3	AA	7,562
	Aa3	AA-	5,100
	Aa3	A+	3,983
	A1	AA-	1,005
	P-1	A-1+	522,354
	P-1	A-1	129,781
	--	A-1	24,566
	Baa3	BBB	1,302
			717,909
Money market funds			
	--	AAAm	31,814
Unrated investments:			
Bank investment contracts			209,556
Asset-backed securities			1,327
Certificates of deposit			15,000
Guaranteed investment contracts			130,088
			355,971
			$ 1,335,559

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Concentration Risk
Concentration risk is the risk of loss attributed to the magnitude of the Corporation's investment in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for trust investments. The Corporation's fiscal policies set the maximum concentration limits for non-trust investments as follows:

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

Investment Holdings Greater than Five Percent of Total Portfolio
The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's fiscal policy and trusted investments which have no established concentration limits. Investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments are excluded from this summary. As of March 31, 2006, the Corporation had investment balances, greater than 5 percent of the Corporations total investments, with the following issuers (in thousands).

Issuer	Investment Fair Value	Percentage of Total Portfolio
GE Capital Services	$ 184,289	12.2%
National Aust Fdg De	160,167	10.6
Bayerische Landesbank	144,320	9.5
Federal National Mortgage Association	131,277	8.7
FSA Capital Management Services	105,000	6.9

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

Of the Corporation's $12,429,000 bank balance at March 31, 2006, cash deposits in the amount of $9,574,000 were uninsured and uncollateralized.

Of the Corporation's $1,515,937,000 total investments at March 31, 2006, bank investment contracts in the amount of $144,320,000 were uninsured, unregistered, and held by the counterparty or its agent, but not in the Corporation's name.

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Interest Rate Risk
Interest rate risk is the risk that the market value of investments will decline as a result of changes in general interest rates. For non-trust investments, the Corporation mitigates interest rate risk by structuring its investment maturities to meet cash requirements (including corporate operations), thereby avoiding the need to sell securities in the open market prior to maturity. For investments held in trust, investment maturities are structured to meet cash requirements as outlined in the bond indentures and contractual and statutory agreements.

Modified Duration
Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Corporation's trusted and non-trusted investments (in thousands) with their modified duration as of March 31, 2006:

	Investment Fair Value	Modified Duration
Bank investment contracts	$ 209,556	0.000
U.S. Treasury securities:		
Treasury coupon securities	175,069	0.853
Treasury Discounts	5,309	0.042
Securities of U.S. Government agencies and corporations:		
Federal agency discounts	172,606	0.091
Federal agency coupon securities	38,665	1.642
Federal agency pass through securities	7,283	1.294
Asset-backed securities	12,638	3.104
Certificates of deposit	15,000	0.135
Commercial paper & medium term notes:		
Commercial paper discounts	676,700	0.092
Corporate bonds	5,024	1.957
Medium term notes	32,390	1.790
Municipal bonds	1,302	7.257
Floating rate notes	2,493	1.315
Guaranteed investment contracts	130,088	0.000
Money market funds	31,814	0.000
	$ 1,515,937	
Portfolio modified duration		0.312

A minimal percentage of the Corporation's total investment portfolio is municipal bonds, which are relatively more sensitive to changing interest rates than the rest of the Corporation's investment portfolio. Municipal bonds held as of March 31, 2006, are as follows (in thousands):

	Fair Value	Rate	Maturity
Northern Tobacco Securitization Corporation	$ 1,302	4.75%	June 1, 2015

Reverse Repurchase Agreements
State statutes permit the Corporation to enter into reverse repurchase agreements. At March 31, 2006, the credit exposure related to these agreements was approximately $1,121,000. All sales of investments under such agreements are for fixed terms. When investing the proceeds of reverse repurchase agreements, Corporation policy requires that the investment term to maturity be the same as that of the reverse repurchase agreement. Such term matching existed at March 31, 2006. Reverse repurchase agreements are currently being issued to warehouse refunded debt, thereby preserving the attributes of the refunded debt for future bond refunding opportunities.

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4 MORTGAGE LOANS, NOTES AND OTHER LOANS

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

	March 31, 2006	June 30, 2005
Mortgage loans	$ 3,058,406	$ 3,107,178
Mortgage-backed securities issued by the Corporation	-	15,387
Multi-family loans	261,330	262,066
Other notes receivable	26,611	29,142
	3,346,347	3,413,773
Less:		
Allowance for losses	(86,763)	(88,591)
Net Mortgage loans, notes and other loans	$ 3,259,584	$ 3,325,182

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

	March 31, 2006	June 30, 2005
Delinquencies and foreclosures:		
Loans delinquent 30 days or more	$ 90,985	$ 100,797
Foreclosures during period	998	2,347
Loans in foreclosure process	8,459	9,629
Mortgage-related commitments:		
To purchase mortgage loans	75,569	109,845
To repurchase loans upon foreclosure	-	13,694

5 INSURANCE AGREEMENTS

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

6 LOAN SELF INSURANCE PROGRAM

The Corporation, for the purpose of insuring itself against losses which might occur as a result of mortgages purchased under various loan programs, collects insurance premiums from the borrowers. The insurance premiums 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.

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7 DIRECT FINANCING LEASE

In July 1997, the Corporation purchased an office building in downtown Anchorage with its Administrative Fund assets for approximately $26 million. The building is part of the Corporation's State Lease Building Program (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.

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

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):

12 Months Ending March 31	Future Minimum Payments Due
2007	$ 3,467
2008	3,467
2009	3,467
2010	3,467
2011	3,467
Thereafter	20,802
Gross payments due	38,137
Less: Unearned revenue	(9,027)
Net investment in direct financing lease	$ 29,110

8 CAPITAL ASSETS

Capital assets activity for the nine months ended March 31, 2006 and a summary of balances are shown below (in thousands):

	July 1, 2005	Additions	Reductions	March 31, 2006
NON-DEPRECIABLE CAPITAL ASSETS:				
Land	$ 13,762	$ -	$ -	$ 13,762
Construction in progress	26,929	7,106	(2,401)	31,634
TOTAL NON-DEPRECIABLE	40,691	7,106	(2,401)	45,396
DEPRECIABLE CAPITAL ASSETS:				
Buildings	160,475	2,401	(3,153)	159,723
Computers & Equipment	3,247	175	(19)	3,403
Leasehold Improvements	88	-	-	88
Vehicles	1,955	-	(7)	1,948
	165,765	2,576	(3,179)	165,162
Less: Accumulated depreciation				
Buildings	(85,836)	(3,419)	3,153	(86,102)
Computers & Equipment	(2,927)	(114)	19	(3,022)
Leasehold Improvements	(5)	(17)	-	(22)
Vehicles	(1,615)	(106)	7	(1,714)
	(90,383)	(3,656)	3,179	(90,860)
TOTAL DEPRECIABLE, NET	75,382	(1,080)	-	74,302
TOTAL CAPITAL ASSETS, NET	$ 116,073	$ 6,026	$ (2,401)	$ 119,698

The depreciation expense charged by the Corporation was $3,656,000 for the nine months ended March 31, 2006. 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 $4,217,000 at March 31, 2006.

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9 BONDS AND NOTES PAYABLE

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

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

	Original Amount	March 31, 2006	June 30, 2005
FIRST-TIME HOME BUYER BONDS:			
Mortgage Revenue Bonds:			
Tax-Exempt:			
• 1997 Series A,			
4.9% to 6.0%, due 2006-2037	$ 160,000	$ 54,695	$ 59,500
Accreted interest		7,313	6,497
Unamortized discount		(375)	(386)
• 1998 Series A,			
4.65% to 5.4%, due 2006-2035	70,000	34,510	36,765
• 1999 Series A1 & A2			
5.25% to 6.25%, due 2006-2031	200,000	120,585	133,070
Unamortized discount		(113)	(115)
• 2000 Series A,			
5.9% to 6.0%, due 2036-2040	58,315	28,920	28,920
• 2000 Series B,			
5.45%, due 2015	3,795	3,795	3,795
• 2000 Series C,			
4.9% to 6.0% due 2006-2032	68,785	38,520	40,340
Unamortized discount		(192)	(211)
• 2001 Series A,			
3.5% to 5.3%, due 2006-2031	32,740	24,935	26,165
• 2001 Series B,			
4.15% to 5.45%, due 2007-2041	104,450	67,475	75,325
Unamortized premium		66	69
• 2002 Series A, Floating Rate*,			
3.25% at March 31, 2006, due 2032, 2036	170,000	170,000	170,000
• 2006 Series A,			
3.4% to 5.0%, due 2006-2036	98,675	98,675	-
Unamortized premium		1,267	-
• 2006 Series B,			
3.5% to 5.0%, due 2007-2036	75,000	75,000	-
Unamortized premium		843	-

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	Original Amount	March 31, 2006	June 30, 2005
Taxable:			
• 2000 Series D, 7.25% to 7.32%, due 2006-2020	25,740	6,310	8,140
• 2002 Series B, Floating Rate* 4.92% at March 31, 2006, due 2036	30,000	24,255	24,255
TOTAL FIRST-TIME HOMEBUYER BONDS	1,097,500	756,484	612,129
VETERANS MORTGAGE PROGRAM BONDS AND NOTES:			
Collateralized State Guaranteed Bonds and Notes:			
Tax-Exempt:			
• Collateralized Bonds 1997 First Series, 5.5%, due 2039	100,000	14,835	20,120
• Collateralized Bonds 1998 First and Second Series, 4.7% to 5.5%, due 2006-2040	60,000	24,145	27,310
Unamortized discount		(179)	(183)
• Collateralized Bonds 1999 First Series, 5.0% to 6.25%, due 2006-2039	110,000	53,410	59,110
• Collateralized Bonds 2000 First Series, 5.5% to 6.45%, due 2006-2039	70,000	29,880	33,145
• Collateralized Bonds 2002 First Series, 4.15% to 5.65%, due 2006-2034	50,000	28,735	32,970
• Collateralized Bonds 2005 First Series, 4.8%, due 2035	15,000	15,000	-
• Collateralized Notes 2005 Second Series, 3.43%, due 2006	145,000	145,000	-
TOTAL VETERANS MORTGAGE PROGRAM BONDS AND NOTES	550,000	310,826	172,472
OTHER HOUSING BONDS:			
Housing Development Bonds:			
Tax-Exempt:			
• 1997 Series A, 4.9% to 5.7%, due 2006-2029	6,510	245	360
• 1997 Series B, 5.0% to 5.8%, due 2006-2029	17,000	635	930
• 1999 Series A, 4.95% to 6.3%, due 2006-2029	1,675	1,515	1,545
• 1999 Series B, 5.0% to 6.37%, due 2006-2029	5,080	4,625	4,710
Unamortized discount			(2)
• 1999 Series C, 4.875% to 6.2%, due 2006-2029	50,000	45,375	46,235
Unamortized discount			(17)
• 2000 Series B, Floating Rate*, monthly payments, 3.19% at March 31, 2006, due 2030	41,705	41,705	41,705

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	Original Amount	March 31, 2006	June 30, 2005
• 2002 Series A, 3.0% to 5.3%, due 2006-2033	8,440	3,350	3,420
• 2002 Series B, 2.85% to 5.15%, due 2006-2022	8,690	7,780	7,930
• 2002 Series C, 2.85% to 5.25%, due 2006-2032	70,000	66,390	67,010
• 2002 Series D, Floating Rate*, monthly payments, 3.12% at March 31, 2006, due 2037	37,870	36,070	36,380
• 2004 Series A, 2.0% to 4.85%, due 2006-2030	33,060	31,705	32,405
• 2004 Series B, 1.8% to 4.75%, due 2006-2032	52,025	49,715	51,070
Taxable:			
• 1997 Series C, 6.8% to 7.55%, due 2007-2029	23,895	735	1,065
• 2004 Series C, Floating Rate Auction Bonds** Payments every five weeks, 4.60% at March 31, 2006 due 2006-2035	42,125	15,425	23,275
• 2004 Series D, 3.65% to 5.6%, due 2008-2043	105,000	105,000	105,000
SUB-TOTAL HOUSING DEVELOPMENT BONDS	503,075	410,270	423,021
General Mortgage Revenue Bonds:			
Tax-Exempt:			
• 1997 Series A, 5.1% to 6.1%, due 2006-2037	434,911	241,851	270,576
Accreted interest		7,445	6,656
• 1999 Series A, 4.85% to 6.05%, due 2006-2049	302,700	249,760	249,760
Unamortized deferred debt refunding expense		(1,645)	(1,706)
Unamortized discount		(1,602)	(1,677)
• 2002 Series A, 3.45% to 5.0%, due 2010-2040	150,000	150,000	150,000
Unamortized deferred debt refunding expense		(1,249)	(1,282)
Unamortized premium		580	593
Government Purpose Bonds:			
Tax-Exempt:			
• 1997 Series A, Floating Rate* monthly payments, 3.23% at March 31, 2006, due 2027	33,000	23,300	26,700
• 2001 Series A, Floating Rate*, 3.2% at March 31, 2006, due 2030	76,580	70,015	70,830
• 2001 Series B, Floating Rate*, 3.12% at March 31, 2006, due 2030	93,590	85,565	86,555

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	Original Amount	March 31, 2006	June 30, 2005
Taxable:			
• 2001 Series C, Floating Rate*, monthly payments, 4.78% at March 31, 2006, due 2032	100,000	78,600	96,580
• 2001 Series D, Floating Rate*, monthly payments, 4.92% at March 31, 2006, due 2032	100,000	50,510	62,070
TOTAL OTHER HOUSING BONDS	1,793,856	1,363,400	1,438,676
NON-HOUSING BONDS:			
State Capital Project Bonds:			
Tax-Exempt:			
• 1999 Series A, 4.0% to 5.0%, due 2005	92,365	-	7,665
Unamortized premium		-	859
• 1999 Series B, 4.8% to 5.5%, due 2005	103,980	-	13,185
Unamortized premium		-	805
• 2001 Series A, 4.0% to 5.25%, due 2006-2007	74,535	32,950	46,190
Unamortized premium		1,115	1,302
• 2002 Series A, 3.0% to 5.0%, due 2006-2011	32,905	23,320	26,655
Unamortized premium		1,000	1,161
• 2002 Series B, Floating Rate Auction Bonds** Payments every four weeks, 3.1% at March 31, 2006, due 2024	14,555	14,555	14,555
• 2002 Series C, Floating Rate* 3.17% at March 31, 2006, due 2022	60,250	60,250	60,250
State Building Lease Bonds:			
Tax-Exempt:			
• 1999 Series, 4.875% to 5.8%, due 2006-2017	40,000	13,230	14,165
Unamortized discount		(73)	(74)
General Housing Purpose Bonds:			
Tax-Exempt:			
• 1992 Series A, 6.1% to 6.6%, due 2006-2023	200,000	18,705	23,340
• 2003 Series A, Floating Rate*, monthly payments, 3.2% at March 31, 2006, due 2023	143,995	131,625	136,790
• 2003 Series B, Floating Rate*, monthly payments, 3.2% at March 31, 2006, due 2023	16,095	16,095	16,095
• 2005 Series A, 2.2% to 5.25%, due 2006-2041	143,235	143,235	143,235
Unamortized premium		5,334	6,114

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	Original Amount	March 31, 2006	June 30, 2005
• 2005 Series B,			
2.7% to 5.25%, due 2006-2030	147,610	146,015	147,610
Unamortized deferred debt refunding expense		(12,925)	(11,646)
Unamortized premium		8,047	9,758
• 2005 Series C,			
2.7% to 5%, due 2006-2017	16,885	16,860	16,885
TOTAL NON-HOUSING BONDS	1,086,410	619,338	674,899
OTHER PROGRAM FUNDS:			
Home Ownership Notes:			
Tax-Exempt:			
• Wrangell Project HUD Note, monthly payments,			
1.0%-3.0%, due 2006-2007	1,161	534	554
TOTAL OTHER PROGRAMS	1,161	534	554
TOTAL BONDS AND NOTES PAYABLE	$ 4,528,927	$ 3,050,582	$ 2,898,730

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

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

** Interest rates on the annotated variable-rate auction bonds are established by the Auction Agents on each Auction Date.

Redemption Provisions

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

During the nine months ended March 31, 2006, the Corporation made special revenue redemptions of $113,490,000 and no current refundings. The Corporation made special revenue redemptions of $150,596,000 and no current refundings during fiscal year 2005.

Advance Refundings

From time to time, the Corporation effects an advanced refunding where the proceeds of issued bonds 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. A summary of the defeased debt follows (in thousands):

	March 31, 2006	June 30, 2005
Governmental Purpose Bonds, 1995 Series A	$ -	$ 150,995
State Building Lease Bonds, 1999 Series	16,485	16,485
	$ 16,485	$ 167,480

The final redemption of $150,995,000 of the Governmental Purpose Bonds, 1995 Series A, occurred on December 1, 2005, of which $149,640,000 was a special redemption.

Debt Service Requirements**

For all mortgage bonds and notes in the preceding schedules, the Corporation's debt service requirements through 2011 and in five year increments thereafter to maturity, categorized by each Major Fund and other Non-Major Funds in the aggregate, are shown below and continued on the following page (in thousands):

12 Months Ending March 31	Housing Development Bonds (Various Issues) Principal	Housing Development Bonds (Various Issues) Interest*	Other Non-Major Bonds Principal	Other Non-Major Bonds Interest*
2007	$ 6,280	$ 19,664	$ 206,933	$ 124,801
2008	6,505	19,397	56,687	119,140
2009	6,510	19,146	43,640	116,785
2010	6,985	18,983	40,060	114,778
2011	7,285	18,657	46,260	112,965
Total Five Years 2007-2011	33,565	95,847	393,580	588,469
Five Years Ending March 31				
2012-2016	42,095	88,482	291,295	526,502
2017-2021	53,640	77,164	355,741	478,968
2022-2026	64,530	62,259	375,048	368,526
2027-2031	113,270	43,989	459,937	284,446
2032-2036	56,800	20,759	333,272	177,560
2037-2041	30,600	8,982	321,612	64,232
2042-2046	15,770	1,251	53,600	21,349
2047-2049	-	-	41,570	5,063
	$ 410,270	$ 398,733	$ 2,625,655	$ 2,515,115

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at March 31, 2006.

** Also see Note 10 – Derivatives.

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Total Debt Service Principal	Interest*	Total
$ 213,213	$ 144,465	$ 357,678
63,192	138,537	201,729
50,150	135,931	186,081
47,045	133,761	180,806
53,545	131,622	185,167
427,145	684,316	1,111,461
333,390	614,984	948,374
409,381	556,132	965,513
439,578	430,785	870,363
573,207	328,435	901,642
390,072	198,319	588,391
352,212	73,214	425,426
69,370	22,600	91,970
41,570	5,063	46,633
$ 3,035,925	$ 2,913,848	$ 5,949,773

10 DERIVATIVES

Swap Objectives
In order to both reduce the Corporation's overall cost of borrowing long-term capital and protect against the potential of rising interest rates, AHFC entered into six separate pay-fixed, receive-variable interest rate swap agreements at a cost less than what the Corporation would have paid to issue conventional fixed-rate debt.

Swap Payments and Associated Debt
As of March 31, 2006, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms are displayed in the following schedule. As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Fiscal Year Ending June 30	VRDO Principal	VRDO Interest	Swap Net Payment	Total Payments
2006	$ 1,835	$ 5,273	$ 1,546	$ 8,654
2007	3,795	12,707	3,738	20,240
2008	4,640	12,596	3,702	20,938
2009	5,135	12,416	3,659	21,210
2010	5,465	12,264	3,613	21,342
2011-2015	52,775	57,630	16,991	127,396
2016-2020	79,320	46,838	13,723	139,881
2021-2025	96,950	32,562	9,582	139,094
2026-2030	81,955	18,547	5,686	106,188
2031-2035	52,240	7,091	2,288	61,619
2036-2037	16,275	533	174	16,982
	$ 400,385	$ 218,457	$ 64,702	$ 683,544

Significant Terms
The terms, fair values and credit ratings of the Corporation's outstanding swaps as of March 31, 2006, are included in the following schedule. The notional amounts of the swaps match the principal amounts of the associated debt. These notional amounts amortize over a time period that approximates the payments the Corporation would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Present Values	Fair Values	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating[6]
GP01A[1]	$ 70,015	$ 73,732	$ (3,717)	08/02/01	4.1427%	67% of LIBOR[4]	12/01/30	A/A2
GP01B	85,565	90,474	(4,909)	08/02/01	4.1427%	67% of LIBOR	12/01/30	A+/Aa3
E021A1[2]	50,000	52,460	(2,460)	05/16/02	4.1030%	68% of LIBOR	06/01/32	AAA/Aaa
E021A2	120,000	124,369	(4,369)	05/16/02	4.3430%	68% of LIBOR	12/01/36	AAA/Aaa
SC02B[3]	14,555	14,559	(4)	12/05/02	3.7700%	70% of LIBOR	07/01/24	AAA/Aaa
SC02C	60,250	61,082	(832)	12/05/02	4.3030%	BMA[5] + 0.115%	07/01/22	AAA/Aaa
	$ 400,385	**$ 416,676**	**$ (16,291)**					

1. Governmental Purpose Bonds
2. Home Mortgage Revenue Bonds
3. State Capital Project Bonds
4. London Interbank Offered Rate
5. The Bond Market Association Municipal Swap Index
6. Standard & Poor's/Moody's

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Fair Value
Because interest rates have declined sharply and taxable/tax-exempt spreads have narrowed since the agreements became effective, all of the Corporation's LIBOR-based and BMA-based interest rate swaps had a negative fair value as of March 31, 2006. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on the Corporation's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by the Corporation, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap liabilities in the marketplace if a swap were to be terminated.

Risks

a. **Credit Risk**
As of March 31, 2006, the Corporation was not exposed to credit risk on any of its outstanding swaps because they all had negative fair values. If interest rates rise and the fair values of the swaps become positive, the Corporation would be exposed to credit risk in the amount of the swap's fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall below specific levels. The Corporation currently has swap agreements with four separate counterparties. Approximately 61% of the total notional amount of swaps is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, one of the counterparties is rated A+/Aa3 while the other counterparty is rated A/A2, approximating 21% and 18%, respectively, of the total outstanding notional swap value.

b. **Basis Risk**
A majority of the Corporation's variable-rate demand obligation bond coupon payments are based on the BMA index. Therefore, the Corporation is exposed to basis risk on swaps where the variable payment received is based on a LIBOR index rather than a BMA index. As of March 31, 2006, the BMA rate was 3.17%, whereas LIBOR was 4.83%. Since the spread between LIBOR and BMA has narrowed since the agreements became effective, the expected cost savings from the swaps may not be as large as originally anticipated.

c. **Rollover Risk**
Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the bonds mature the swaps will amortize. In addition, the swaps covering the 2001 Governmental Purpose Bonds cover only a portion of the debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The swap agreements associated with the 2002 Home Mortgage Revenue Bonds were structured with several tranches, allowing the Corporation to cancel individual tranches of the swap to match special redemptions of the bonds. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.

d. **Termination Risk**
If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, thus, the Corporation would be exposed to interest rate risk. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. As of March 31, 2006, the Corporation is not exposed to any additional termination risk on its interest rate swaps.

11 LONG TERM LIABILITIES

The activity for other liabilities for the nine months ended March 31, 2006 is summarized in the following schedule (in thousands):

	July 1, 2005	Additions	Reductions	March 31, 2006	Due Within One Year
Bonds and notes payable	$ 2,898,730	$ 337,274	$ (185,422)	$ 3,050,582	$ 213,213
Compensated absences	3,007	1,730	(1,378)	3,359	2,071
Other liabilities	5,398	181	(630)	4,949	-
Total other long-term liabilities	8,405	1,911	(2,008)	8,308	2,071
	$ 2,907,135	$ 339,185	$ (187,430)	$ 3,058,890	$ 215,284

12 SHORT TERM DEBT

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

Yields issued during period	March 31, 2006	June 30, 2005
Lowest	3.2200%	1.1600%
Highest	4.6500%	3.2200%

The Corporation borrows funds utilizing reverse repurchase agreements to warehouse refunded debt, thereby preserving the attributes of the refunded debt for future bond refunding opportunities. Such agreements involve the transfer of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest.

Short term debt activity for the nine months ended March 31, 2006 is summarized in the following schedule (in thousands):

	July 1, 2005	Additions	Reductions	March 31, 2006
Commercial paper	$ 138,510	$ 967,859	$ (956,369)	$ 150,000
Unamortized discount	(135)	(4,119)	4,153	(101)
Commercial paper, net	138,375	963,740	(952,216)	149,899
Reverse Repurchase	-	308,884	(254,080)	54,804
	$ 138,375	$ 1,272,624	$ (1,206,296)	$ 204,703

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13 TRANSFERS

Transfers for the nine months ended March 31, 2006 are summarized in the following schedule (in thousands):

Transfer To	Transfer From: Administrative Fund	Transfer From: Other Non-Major Funds	Total
Administrative Fund	$ -	$ 17,004	$ 17,004
Housing Development	2,519	-	2,519
Other Non-Major Funds	62,930	871	63,801
Total	$ 65,449	$ 17,875	$ 83,324

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

14 OTHER CREDIT ARRANGEMENTS

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

	March 31, 2006	June 30, 2005
Liquidity facility	$ 826,665	$ 863,175
Bond insurance	2,140,131	2,229,826
	$ 2,966,796	$ 3,093,001

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.

In October 2002, the Corporation also reestablished a $200,000,000 revolving credit facility that is not related to a specific bond issue. At March 31, 2006, no draw downs had been made on the revolving credit facility.

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.

15 YIELD RESTRICTION AND ARBITRAGE REBATE

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

	March 31, 2006	June 30, 2005
Arbitrage expense	$ 832	$ 4,181
Arbitrage paid	910	3,841

16 STATE AUTHORIZATIONS AND COMMITMENTS

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

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

The projected amounts stated in the legislative intent language were based on the Corporation's financial operating plan and represent the total amount of anticipated State transfers and capital expenditures rather than projected "net income".

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	127,895	138
FY 1997	100,448	100,193	255
FY 1998*	131,515	130,884	631
FY 1999*	102,615	101,262	1,353
FY 2000*	105,138	99,094	6,044
FY 2001*	103,107	94,917	8,190
FY 2002	103,000	95,033	7,967
FY 2003*	103,499	91,596	11,903
FY 2004*	103,036	83,141	19,895
FY 2005	103,000	90,222	12,778
FY 2006*	103,379	59,847	43,532
Total	$ 1,209,270	$ 1,096,577	$ 112,693

* With re-appropriations

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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 the lesser of $103 million or the Corporation's net income annually to the year 2008.

The 2002 and 2004 Legislature adopted legislation authorizing the additional issuance of bonds in sufficient amounts to fund the construction of various State capital projects. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

As of March 31, 2006, the Corporation has issued $196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, $74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, and $107,710,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and has completed its issuance authority under the Acts. The payment of principal and interest on these bonds will be included in future capital budgets of the Corporation.

The Twenty-Third Legislature in 2003 enacted SCSBH 256 (the "2003" Act) which added language to the Alaska Statutes to modify and incorporate the Transfer Plan. The Corporation and the State view the 2003 Act as an indefinite, sustainable continuation of the Transfer Plan. As approved and signed into law by the Governor, the Transfer Plan calls for annual transfers as follows (in thousands):

Fiscal Year	Transfer Plan Amount
2006	103,000
2007	Lesser of 95% Net Income or 103,000
2008	Lesser of 85% Net Income or 103,000
2009 & Thereafter	Lesser of 75% Net Income or 103,000

Subsequent to GASB 34, the Corporation interprets net income as operating income.

Transfers 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 transfer funds to or on behalf of the State. Following is a summary of the different types of transfers (in thousands):

	March 31, 2006	June 30, 2005	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	18,855	29,618	501,588	550,061
Other State appropriations	-	2,078	-	2,078
Non-Housing capital projects	5,914	22,372	234,425	262,711
Various bond's proceeds disbursed	16,297	13,220	243,277	272,794
Total	$ 41,066	$ 67,288	$ 1,375,690	$ 1,484,044

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17 GRANTS

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

Program	March 31, 2006	June 30, 2005
Energy Programs:		
• Enhanced Weatherization	$ 778	$ 957
• Low-Income Weatherization Assistance	3,230	4,090
State Energy Program	307	303
• Others	309	627
	4,624	5,977
Section 8 Vouchers and Contract Administration	17,469	26,156
Other Housing Assistance Programs:		
• Beneficiary and Special Needs Housing	12	1,844
• Drug Elimination Program	177	225
• Denali Teacher Housing	3,691	1,159
• Healthy Homes	-	284
• HOME Program	2,057	3,758
• Homeless Assistance Program	720	809
• Housing Loan Program	2,033	1,914
• Housing Opportunities for Persons with AIDS	449	600
• Section 8 Contract Administration	5,121	6,555
• Senior Citizens Housing	1,902	2,034
• Supplemental Housing	4,863	3,101
• Supportive Housing Grant Match	655	845
• Others	746	817
	22,426	23,945
Other Programs	406	428
Total Housing Grant Expenses	44,925	56,506
Other Program Funds:		
• State Match Federal Aid Airports Proj. – FY 98 Appro.	45	70
• Municipal Matching Grants – FY 99 Appro.	657	6,576
• University of Alaska – FY 99 Appro.	49	145
• Village Safe Water Grants Program – FY 99 Appro.	1,915	11,791
• Child Protection Information System – FY 01 Appro.	-	849
• AK Public Safety Info. Network Redesign – FY 02 Appro.	1,480	816
• Brother Francis Shelter Replacement – FY 03 Appro.	50	450
• Law Enforcement Equipment Replacement – FY 05 Appro.	157	340
• FY 98 Legislative Appropriations – Others	2	151
• FY 99 Legislative Appropriations – Others	-	11
• FY 01 Legislative Appropriations	396	544
• FY 02 Legislative Appropriations	31	28
• FY 04 Legislative Appropriations	132	194
• FY 05 Legislative Appropriations	879	407
• FY 06 Legislative Appropriations	121	-
Total Non-Housing Capital Project Grants	5,914	22,372
Total Grants	$ 50,839	$ 78,878

In addition to grant payments made, the Corporation has advanced grant funds of $2,281,000 and committed to third parties a sum of $18,886,000 in grant awards at March 31, 2006.

18 OTHER PROGRAMS

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

Housing Assistance Programs

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

- Low Rent Management
- Modernization/Capital Fund Programs

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

- Section 8 Moderate Rehabilitation
- Section 8 Vouchers

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

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

- Drug Elimination Grant
- Denali Commission Housing Programs
- Family Self Sufficiency Program (FSS)
- Family Investment Center Grant
- Gateway Literacy Program
- Grant Match Program
- Healthy Homes Initiative
- HOME Investment Partnerships Program (HOME)
- HOME Technical Assistance
- Housing Opportunities for Persons with AIDS (HOPWA)
- Housing Preservation Grants
- Service Coordinator for Public Housing Agencies Grant
- Shelter Plus Care Program
- Special Needs Assistance
- Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)
- Supportive Housing Technical Assistance
- Teacher Health Professional and Public Safety Housing Programs

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

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 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:

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

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

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

Housing Units Owned, Managed or Administered

The Public Housing Division of the Corporation operates the following programs in 18 Alaskan communities:

Program	Number of Units
Low Rent Conventional Housing	987
Low Rent Conventional Housing – Senior Units	343
Section 8 New Construction Housing	59
Section 8 New Construction Housing – Senior Units	268
Other Housing Units	32
Section 8 Existing – Housing Assistance:	
Housing Choice Vouchers	4,115
Single Room Occupancy	70
	5,874

19 PENSION PLAN

As of March 31, 2006, 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 16.14% of annual covered payroll.

Annual Pension Cost

The Corporation's annual pension and postretirement health cost shown in the following table was equal to the required and actual contribution. The actuarial required contribution was computed as part of an actuarial valuation as of June 30, 2004. 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 ten years of employment, with distinction made between amounts for inflation (3.5%), merit (1.5%), 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, 2005	$ 1,780	100.00%	$ -
June 30, 2004	980	100.00%	-
June 30, 2003	1,027	100.00%	-

20 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 $814,000 and $1,077,000 as of March 31, 2006 and June 30, 2005, respectively.

Litigation

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

Contingent Liabilities

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

21 RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS
Unaudited

22 SPECIAL ITEM

On December 1, 2004, the Corporation sold its Aurora Military Loan, with a principal balance of $47,468,000, for $51,403,000 and paid $90,000 in subsequent expenses related to the sale, resulting in a special item gain of $3,845,000.

On December 13, 2005, the Corporation sold its Aurora Military Loan II, with a principal balance of $31,627,000, accrued interest income of $76,000 and closing cost expense of $90,000, for proceeds of $38,919,000, resulting in a special item gain of $7,126,000.

23 SUMMARIZED BALANCE SHEET

Entity-wide balance sheet information in an unclassified format is presented below for informational purposes (in thousands):

	March 31, 2006	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002
ASSETS					
Cash	$ 11,514	$ 9,769	$ 7,939	$ 21,215	$ 9,508
Investments	1,515,937	1,219,415	1,143,547	1,518,997	1,587,877
Accrued interest receivable	21,827	20,762	19,897	22,349	25,015
Mortgage loans, notes and other loans	3,259,584	3,325,182	3,355,300	3,312,511	3,373,640
Net investment in direct financing lease	29,110	32,843	34,547	36,165	37,697
Unamortized bond issuance costs	24,769	25,135	26,404	29,024	28,105
Capital assets, net	119,698	116,073	110,813	105,065	99,040
Other assets	15,533	13,754	10,033	10,185	21,272
Total Assets	$ 4,997,972	$ 4,762,933	$ 4,708,480	$ 5,055,511	$ 5,182,154
LIABILITIES AND FUND EQUITY					
Liabilities:					
Bonds and notes payable	$ 3,050,582	$ 2,898,730	$ 2,890,879	$ 3,110,941	$ 3,267,553
Short term debt	204,703	138,375	70,145	149,995	108,541
Accrued interest payable	44,053	14,147	14,562	15,627	14,253
Other liabilities	15,764	28,608	26,435	41,382	25,997
Total Liabilities	3,315,102	3,079,860	3,002,021	3,317,945	3,416,344
Total Fund Equity	1,682,870	1,683,073	1,706,459	1,737,566	1,765,810
Total Liabilities and Fund Equity	$ 4,997,972	$ 4,762,933	$ 4,708,480	$ 5,055,511	$ 5,182,154

NOTES TO FINANCIAL STATEMENTS
Unaudited

24 STATEMENT OF ACTIVITY

Entity-wide revenues, expenses, and changes in net assets are presented below for informational purposes (in thousands):

	Nine Months Ended March 31, 2006	Year Ended June 30, 2005	Year Ended June 30, 2004	Year Ended June 30, 2003	Year Ended June 30, 2002
OPERATING REVENUES					
Mortgage and loans revenue	$ 145,672	$ 201,386	$ 206,300	$ 220,393	$ 222,446
Investment interest	40,399	43,162	46,358	57,013	71,115
Net change in the fair value of investments	(432)	(1,653)	(9,554)	9,877	111
Total Investment Revenue	39,967	41,509	36,804	66,890	71,226
Externally funded programs	46,691	57,877	56,084	53,702	46,283
Rental	4,907	6,183	6,109	6,812	7,034
Other	503	2,252	743	644	2,241
Total Operating Revenues	237,740	309,207	306,040	348,441	349,230
OPERATING EXPENSES					
Interest	107,769	141,161	151,165	172,939	174,582
Mortgage and loan costs	9,829	13,130	13,059	12,894	12,933
Operations and administration	28,627	35,530	36,240	35,339	32,393
Financing expenses	6,563	11,941	6,168	10,496	2,197
Provision for loan loss	(1,835)	(103)	(1,861)	(12,232)	2,690
Housing grants and subsidies	44,925	56,506	48,640	52,023	39,520
Rental housing operating expenses	8,125	10,985	10,149	9,905	9,255
Total Operating Expenses	204,003	269,150	263,560	281,364	273,570
Operating Income	33,737	40,057	42,480	67,077	75,660
NONOPERATING EXPENSES AND SPECIAL ITEM					
Contributions to the State of Alaska or other State agencies	(41,066)	(67,288)	(66,136)	(95,321)	(85,562)
Special Item	7,126	3,845	(7,451)	-	2,035
Change in Net Assets	$ (203)	$ (23,386)	$ (31,107)	$ (28,244)	$ (7,867)

NOTES TO FINANCIAL STATEMENTS
Unaudited

25 QUARTERLY COMPARISON

Comparison of the entity-wide revenues, expenses, and changes in net assets for the nine months ended March 31, 2006 and March 31, 2005 is presented in the following schedule (in thousands):

	Quarter Ended March 31, 2006	Quarter Ended March 31, 2005	Variance
OPERATING REVENUES			
Mortgage and loans revenue	$ 48,081	$ 50,093	$ (2,012)
Investment interest	15,210	11,049	4,161
Net change in the fair value of investments	669	(1,179)	1,848
Total Investment Revenue	15,879	9,870	6,009
Externally funded programs	14,975	13,018	1,957
Rental	1,674	1,594	80
Other	184	1,405	(1,221)
Total Operating Revenues	80,793	75,980	4,813
OPERATING EXPENSES			
Interest	37,635	36,447	(1,188)
Mortgage and loan costs	3,197	3,198	1
Operations and administration	9,805	8,913	(892)
Financing expenses	2,250	1,995	(255)
Provision for loan loss	(2,600)	(2,431)	169
Housing grants and subsidies	13,167	13,756	589
Rental housing operating expenses	2,926	3,641	715
Total Operating Expenses	66,380	65,519	(861)
Operating Income	14,413	10,461	3,952
NONOPERATING EXPENSES			
Contributions to the State of Alaska or other State agencies	(22,119)	(23,558)	1,439
Special item	-	(90)	90
Change in Net Assets	$ (7,706)	$ (13,187)	$ 5,481

REQUIRED SUPPLEMENTARY INFORMATION
Unaudited

Schedule of Funding Progress for PERS (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess or (Unfunded) AAL (a) – (b)	Funded Ratio (a) / (b)	Covered Payroll (c)	Excess or (Unfunded) AAL as a Percentage of Covered Payroll ((a) – (b)) / (c)
Pension:						
June 30, 2004	$ 35,749	$ 46,202	$(10,453)	77%	$ 16,006	(65%)
June 30, 2003	34,407	43,271	(8,864)	80%	14,987	(59%)
June 30, 2002	30,857	40,980	(10,123)	75%	14,119	(72%)
Postretirement Health:						
June 30, 2004	25,207	32,578	(7,371)	77%	16,006	(46%)
June 30, 2003	22,997	28,921	(5,924)	80%	14,987	(40%)
June 30, 2002	18,748	24,899	(6,151)	75%	14,119	(44%)

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

COMBINED - ALL FUNDS

As of March 31, 2006

(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds/Notes	Combined Other Housing Bonds	Combined Non-Housing Bonds
Assets					
Current					
Cash	7,580	-	-	-	193
Investments	420,956	39,625	156,581	105,532	50,262
Accrued interest receivable	3,494	3,651	2,383	9,594	2,683
Mortgage loans, notes and other loans	14,787	16,642	5,540	31,287	13,134
Net investment in direct financing lease	-	-	-	-	2,025
Other assets	5,302	76	-	209	484
Intergovernmental receivable	34	-	-	-	-
Total Current	452,153	59,994	164,504	146,622	68,781
Non Current					
Investments	-	112,692	33,531	426,615	136,317
Mortgage loans, notes and other loans, net of allowance	619,313	686,431	216,403	1,171,161	484,886
Net investment in direct financing lease	-	-	-	-	27,085
Unamortized bond issuance costs	-	7,058	2,327	10,457	4,927
Capital assets - non-depreciable	148	-	-	-	-
Capital assets - depreciable, net	250	-	-	-	-
Other assets	1,633	-	-	-	-
Total Non Current	621,344	806,181	252,261	1,608,233	653,215
Total Assets	1,073,497	866,175	416,765	1,754,855	721,996
Liabilities					
Current					
Bonds and notes payable	-	7,250	147,585	16,375	41,975
Short-term debt	204,703	-	-	-	-
Accrued interest payable	874	10,658	4,372	20,360	7,745
Other liabilities	3,317	203	66	765	157
Intergovernmental payable	-	-	-	-	2,300
Total Current	208,894	18,111	152,023	37,500	52,177
Non Current					
Bonds and notes payable	-	749,234	163,241	1,347,025	577,363
Other liabilities	640	-	-	4,606	339
Total Non Current	640	749,234	163,241	1,351,631	577,702
Total Liabilities	209,534	767,345	315,264	1,389,131	629,879
Net Assets					
Invested in capital assets, net of related debt	398	-	-	-	-
Restricted by bond resolutions	-	98,830	101,501	344,311	94,605
Restricted by contractual or statutory agreements	122,866	-	-	21,413	-
Unrestricted net assets, (deficit)	740,699	-	-	-	(2,488)
Total Net Assets (deficit)	863,963	98,830	101,501	365,724	92,117

Combined Other Programs	Combined Total
3,741	11,514
33,479	806,435
22	21,827
-	81,390
-	2,025
7,239	13,310
514	548
44,995	937,049
347	709,502
-	3,178,194
-	27,085
-	24,769
45,248	45,396
74,052	74,302
42	1,675
119,689	4,060,923
164,684	4,997,972
28	213,213
-	204,703
44	44,053
2,661	7,169
58	2,358
2,791	471,496
506	2,837,369
652	6,237
1,158	2,843,606
3,949	3,315,102
118,766	119,164
-	639,247
41,969	186,248
-	738,211
160,735	1,682,870

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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 March 31, 2006

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
Assets			
Current			
Cash	7,303	277	7,580
Investments	411,180	9,776	420,956
Accrued interest receivable	3,491	3	3,494
Mortgage loans, notes and other loans	14,781	6	14,787
Other assets	5,302	-	5,302
Intergovernmental receivable	34	-	34
Total Current	442,091	10,062	452,153
Non Current			
Mortgage loans, notes and other loans, net of allowance	619,202	111	619,313
Capital assets - non-depreciable	148	-	148
Capital assets - depreciable, net	250	-	250
Other assets	1,633	-	1,633
Total Non Current	621,233	111	621,344
Total Assets	1,063,324	10,173	1,073,497
Liabilities			
Current			
Short-term debt	204,703	-	204,703
Accrued interest payable	874	-	874
Other liabilities	3,317	-	3,317
Total Current	208,894	-	208,894
Non Current			
Other liabilities	640	-	640
Total Non Current	640	-	640
Total Liabilities	209,534	-	209,534
Net Assets			
Invested in capital assets, net of related debt	398	-	398
Restricted by contractual or statutory agreements	112,693	10,173	122,866
Unrestricted net assets, (deficit)	740,699	-	740,699
Total Net Assets (deficit)	853,790	10,173	863,963

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

FIRST TIME HOMEBUYER BONDS

As of March 31, 2006

(in thousands of dollars)

	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D	Mortgage Revenue Bonds 2001 A,B
Assets					
Current					
Investments	4,052	2,222	9,773	5,117	5,516
Accrued interest receivable	524	249	837	351	369
Mortgage loans, notes and other loans	1,801	897	3,379	2,770	1,970
Other assets	-	-	-	61	-
Total Current	6,377	3,368	13,989	8,299	7,855
Non Current					
Investments	12,876	6,026	10,282	9,600	9,539
Mortgage loans, notes and other loans, net of allowance	65,371	32,768	121,419	65,149	83,435
Unamortized bond issuance costs	897	549	1,244	1,130	968
Total Non Current	79,144	39,343	132,945	75,879	93,942
Total Assets	85,521	42,711	146,934	84,178	101,797
Liabilities					
Current					
Bonds and notes payable	1,695	445	2,610	500	740
Accrued interest payable	786	592	2,388	1,539	1,592
Other liabilities	20	11	42	19	25
Total Current	2,501	1,048	5,040	2,058	2,357
Non Current					
Bonds and notes payable	59,938	34,065	117,862	76,853	91,736
Total Non Current	59,938	34,065	117,862	76,853	91,736
Total Liabilities	62,439	35,113	122,902	78,911	94,093
Net Assets					
Restricted by bond resolutions	23,082	7,598	24,032	5,267	7,704
Total Net Assets (deficit)	23,082	7,598	24,032	5,267	7,704

Schedule 3

Home Mortgage Revenue Bonds 2002 A, B	Home Mortgage Revenue Bonds 2006 A	Home Mortgage Revenue Bonds 2006 B	Combined Total
8,347	4,289	309	39,625
876	346	99	3,651
3,824	1,608	393	16,642
15	-	-	76
13,062	6,243	801	59,994
13,733	-	50,636	112,692
197,117	94,387	26,785	686,431
894	814	562	7,058
211,744	95,201	77,983	806,181
224,806	101,444	78,784	866,175
-	1,260	-	7,250
2,860	824	77	10,658
56	24	6	203
2,916	2,108	83	18,111
194,255	98,682	75,843	749,234
194,255	98,682	75,843	749,234
197,171	100,790	75,926	767,345
27,635	654	2,858	98,830
27,635	654	2,858	98,830

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

VETERANS MORTGAGE PROGRAM BONDS & NOTES - STATE GUARANTEED

As of March 31, 2006

(in thousands of dollars)

	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series
Assets				
Current				
Investments	958	1,681	4,044	2,302
Accrued interest receivable	222	184	420	250
Mortgage loans, notes and other loans	1,136	791	1,624	945
Other assets	-	-	-	-
Total Current	2,316	2,656	6,088	3,497
Non Current				
Investments	7,866	4,831	9,722	7,445
Mortgage loans, notes and other loans, net of allowance	43,210	29,789	60,641	32,232
Unamortized bond issuance costs	495	325	817	457
Total Non Current	51,571	34,945	71,180	40,134
Total Assets	53,887	37,601	77,268	43,631
Liabilities				
Current				
Bonds and notes payable	135	400	830	440
Accrued interest payable	275	427	1,071	621
Other liabilities	12	9	20	11
Total Current	422	836	1,921	1,072
Non Current				
Bonds and notes payable	14,700	23,566	52,580	29,440
Total Non Current	14,700	23,566	52,580	29,440
Total Liabilities	15,122	24,402	54,501	30,512
Net Assets				
Restricted by bond resolutions	38,765	13,199	22,767	13,119
Total Net Assets (deficit)	38,765	13,199	22,767	13,119

Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Combined Total
2,039	145,557	156,581
153	1,154	2,383
673	371	5,540
-	-	-
2,865	147,082	164,504
3,667	-	33,531
32,727	17,804	216,403
233	-	2,327
36,627	17,804	252,261
39,492	164,886	416,765
470	145,310	147,585
523	1,455	4,372
9	5	66
1,002	146,770	152,023
28,265	14,690	163,241
28,265	14,690	163,241
29,267	161,460	315,264
10,225	3,426	101,501
10,225	3,426	101,501

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER HOUSING BONDS

As of March 31, 2006

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Assets					
Current					
Investments	21,412	25,535	16,629	16,470	7,151
Accrued interest receivable	1	2,272	2,441	1,398	485
Mortgage loans, notes and other loans	-	6,486	5,091	7,564	2,214
Other assets	-	66	50	36	-
Total Current	21,413	34,359	24,211	25,468	9,850
Non Current					
Investments	-	130,881	83,625	60,391	17,284
Mortgage loans, notes and other loans, net of allowance	-	277,955	197,636	303,619	126,713
Unamortized bond issuance costs	-	3,780	1,979	1,736	1,221
Total Non Current	-	412,616	283,240	365,746	145,218
Total Assets	21,413	446,975	307,451	391,214	155,068
Liabilities					
Current					
Bonds and notes payable	-	6,280	2,910	1,700	-
Accrued interest payable	-	5,678	4,573	4,924	2,384
Other liabilities	-	417	59	181	32
Total Current	-	12,375	7,542	6,805	2,416
Non Current					
Bonds and notes payable	-	403,990	246,387	244,813	149,330
Other liabilities	-	-	4,606	-	-
Total Non Current	-	403,990	250,993	244,813	149,330
Total Liabilities	-	416,365	258,535	251,618	151,746
Net Assets					
Restricted by bond resolutions	-	30,610	48,916	139,596	3,322
Restricted by contractual or statutory agreements	21,413	-	-	-	-
Total Net Assets (deficit)	21,413	30,610	48,916	139,596	3,322

Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
717	17,618	105,532
97	2,900	9,594
1,168	8,764	31,287
-	57	209
1,982	29,339	146,622
1,058	133,376	426,615
21,756	243,482	1,171,161
219	1,522	10,457
23,033	378,380	1,608,233
25,015	407,719	1,754,855
-	5,485	16,375
67	2,734	20,360
-	76	765
67	8,295	37,500
23,300	279,205	1,347,025
-	-	4,606
23,300	279,205	1,351,631
23,367	287,500	1,389,131
1,648	120,219	344,311
-	-	21,413
1,648	120,219	365,724

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

NON HOUSING BONDS

As of March 31, 2006

(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Projects Bonds 2002 A,B,C	State Building Lease Bonds 1999
Assets					
Current					
Cash	-	-	-	-	193
Investments	-	-	2,549	8,066	3,419
Accrued interest receivable	-	-	136	532	-
Mortgage loans, notes and other loans	-	-	908	2,119	-
Net investment in direct financing lease	-	-	-	-	2,025
Other assets	-	-	41	160	-
Total Current	-	-	3,634	10,877	5,637
Non Current					
Investments	-	-	-	32,846	-
Mortgage loans, notes and other loans, net of allowance	-	-	30,474	53,359	-
Net investment in direct financing lease	-	-	-	-	27,085
Unamortized bond issuance costs	-	-	441	698	178
Total Non Current	-	-	30,915	86,903	27,263
Total Assets	-	-	34,549	97,780	32,900
Liabilities					
Current					
Bonds and notes payable	-	-	21,035	3,465	1,940
Accrued interest payable	-	-	528	1,066	338
Other liabilities	-	-	12	21	-
Intergovernmental payable	-	-	-	-	2,300
Total Current	-	-	21,575	4,552	4,578
Non Current					
Bonds and notes payable	-	-	13,030	95,660	11,217
Other liabilities	-	-	-	-	339
Total Non Current	-	-	13,030	95,660	11,556
Total Liabilities	-	-	34,605	100,212	16,134
Net Assets					
Restricted by bond resolutions	-	-	-	-	16,766
Unrestricted net assets, (deficit)	-	-	(56)	(2,432)	-
Total Net Assets (deficit)	-	-	(56)	(2,432)	16,766

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
-	-	-	-	193
7,082	9,856	8,114	11,176	50,262
225	422	888	480	2,683
367	3,484	2,715	3,541	13,134
-	-	-	-	2,025
-	47	107	129	484
7,674	13,809	11,824	15,326	68,781
875	24,968	53,568	24,060	136,317
11,702	110,562	136,597	142,192	484,886
-	-	-	-	27,085
406	713	1,177	1,314	4,927
12,983	136,243	191,342	167,566	653,215
20,657	150,052	203,166	182,892	721,996
5,925	5,350	995	3,265	41,975
385	418	2,373	2,637	7,745
5	40	50	29	157
-	-	-	-	2,300
6,315	5,808	3,418	5,931	52,177
12,780	142,370	147,574	154,732	577,363
-	-	-	-	339
12,780	142,370	147,574	154,732	577,702
19,095	148,178	150,992	160,663	629,879
1,562	1,874	52,174	22,229	94,605
-	-	-	-	(2,488)
1,562	1,874	52,174	22,229	92,117

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER PROGRAM FUNDS

As of March 31, 2006

(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Assets				
Current				
Cash	-	611	435	2,505
Investments	1,495	10,861	20,742	-
Accrued interest receivable	1	7	14	-
Other assets	1,353	1,259	41	5
Intergovernmental receivable	-	-	-	-
Total Current	2,849	12,738	21,232	2,510
Non Current				
Investments	-	-	-	-
Capital assets - non-depreciable	-	35,173	10,075	-
Capital assets - depreciable, net	-	62,520	11,356	28
Other assets	-	31	5	6
Total Non Current	-	97,724	21,436	34
Total Assets	2,849	110,462	42,668	2,544
Liabilities				
Current				
Bonds and notes payable	-	-	28	-
Accrued interest payable	-	-	44	-
Other liabilities	15	1,774	292	384
Intergovernmental payable	-	-	-	-
Total Current	15	1,774	364	384
Non Current				
Bonds and notes payable	-	-	506	-
Other liabilities	9	407	92	120
Total Non Current	9	407	598	120
Total Liabilities	24	2,181	962	504
Net Assets				
Invested in capital assets, net of related debt	-	97,693	20,897	28
Restricted by contractual or statutory agreements	2,825	10,588	20,809	2,012
Total Net Assets (deficit)	2,825	108,281	41,706	2,040

Other Programs	Combined Total
190	3,741
381	33,479
-	22
4,581	7,239
514	514
5,666	44,995
347	347
-	45,248
148	74,052
-	42
495	119,689
6,161	164,684
-	28
-	44
196	2,661
58	58
254	2,791
-	506
24	652
24	1,158
278	3,949
148	118,766
5,735	41,969
5,883	160,735

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 Nine Months Ended March 31, 2006

(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds/Notes	Combined Other Housing Bonds	Combined Non-Housing Bonds
Operating Revenues					
Mortgage and loans revenue	31,635	28,932	10,949	53,969	20,187
Investment interest	12,056	2,534	2,034	16,497	6,111
Net change in the fair value of investments	(1,720)	377	262	611	226
Total Investment Revenue	10,336	2,911	2,296	17,108	6,337
Externally funded programs	-	-	-	-	-
Rental	-	-	-	-	-
Other	61	11	-	17	24
Total Operating Revenues	42,032	31,854	13,245	71,094	26,548
Operating Expenses					
Interest	5,035	24,230	8,477	52,716	17,306
Mortgage and loan costs	2,349	1,942	698	3,068	1,772
Operations and administration	2,559	2,712	848	4,509	1,948
Financing expenses	791	1,017	455	2,109	2,191
Provision for loan loss	818	1,800	51	(3,607)	(897)
Housing grants and subsidies expenses	406	-	-	-	-
Rental housing operating expenses	-	-	-	-	-
Total Operating Expenses	11,958	31,701	10,529	58,795	22,320
Operating Income (Loss)	30,074	153	2,716	12,299	4,228
Nonoperating Expense Special Items & Transfers					
Contributions to the State of Alaska or other State agencies	(18,906)	-	-	-	(16,295)
Special items	7,126	-	-	-	-
Transfers - Internal	(99,242)	10,612	5,378	52,487	5,062
Change in Net Assets	(80,948)	10,765	8,094	64,786	(7,005)
Net Assets at beginning of year	944,911	88,065	93,407	300,938	99,122
Net Assets at End of Period	863,963	98,830	101,501	365,724	92,117

Combined Other Programs	Combined Total
-	145,672
1,167	40,399
(188)	(432)
979	39,967
46,691	46,691
4,907	4,907
390	503
52,967	237,740
5	107,769
-	9,829
16,051	28,627
-	6,563
-	(1,835)
44,519	44,925
8,125	8,125
68,700	204,003
(15,733)	33,737
(5,865)	(41,066)
-	7,126
25,703	-
4,105	(203)
156,630	1,683,073
160,735	1,682,870

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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 Nine Months Ended March 31, 2006

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
Operating Revenues			
Mortgage and loans revenue	31,626	9	31,635
Investment interest	11,746	310	12,056
Net change in the fair value of investments	(1,686)	(34)	(1,720)
Total Investment Revenue	10,060	276	10,336
Other	61	-	61
Total Operating Revenues	41,747	285	42,032
Operating Expenses			
Interest	5,035	-	5,035
Mortgage and loan costs	2,349	-	2,349
Operations and administration	2,559	-	2,559
Financing expenses	829	(38)	791
Provision for loan loss	808	10	818
Housing grants and subsidies expenses	406	-	406
Rental housing operating expenses	-	-	-
Total Operating Expenses	11,986	(28)	11,958
Operating Income (Loss)	29,761	313	30,074
Nonoperating Expense			
Special Items & Transfers			
Contributions to the State of Alaska or other State agencies	(18,906)	-	(18,906)
Special items	7,126	-	7,126
Transfers - Internal	(99,243)	1	(99,242)
Change in Net Assets	(81,262)	314	(80,948)
Net Assets at beginning of year	935,052	9,859	944,911
Net Assets at End of Period	853,790	10,173	863,963

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 Nine Months Ended March 31, 2006

(in thousands of dollars)

	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D	Mortgage Revenue Bonds 2001 A,B
Operating Revenues					
Mortgage and loans revenue	3,388	1,699	6,503	3,184	4,232
Investment interest	549	239	721	279	275
Net change in the fair value of investments	3	2	6	104	114
Total Investment Revenue	552	241	727	383	389
Other	-	-	3	-	3
Total Operating Revenues	3,940	1,940	7,233	3,567	4,624
Operating Expenses					
Interest	2,699	1,381	5,677	3,580	3,777
Mortgage and loan costs	220	116	449	204	288
Operations and administration	258	129	481	260	329
Financing expenses	61	33	56	64	44
Provision for loan loss	(255)	(155)	(469)	(303)	(1,090)
Total Operating Expenses	2,983	1,504	6,194	3,805	3,348
Operating Income (Loss)	957	436	1,039	(238)	1,276
Nonoperating Expense Special Items & Transfers					
Transfers - Internal	271	133	497	271	341
Change in Net Assets	1,228	569	1,536	33	1,617
Net Assets at beginning of year	21,854	7,029	22,496	5,234	6,087
Net Assets at End of Period	23,082	7,598	24,032	5,267	7,704

Home Mortgage Revenue Bonds 2002 A,B	Home Mortgage Revenue Bonds 2006 A	Home Mortgage Revenue Bonds 2006 B	Combined Total
8,916	972	38	28,932
439	25	7	2,534
82	9	57	377
521	34	64	2,911
5	-	-	11
9,442	1,006	102	31,854
6,303	769	44	24,230
593	69	3	1,942
777	372	106	2,712
574	119	66	1,017
(64)	3,079	1,057	1,800
8,183	4,408	1,276	31,701
1,259	(3,402)	(1,174)	153
1,011	4,056	4,032	10,612
2,270	654	2,858	10,765
25,365	-	-	88,065
27,635	654	2,858	98,830

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 & NOTES - STATE GUARANTEED

For the Nine Months Ended March 31, 2006

(in thousands of dollars)

	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series
Operating Revenues				
Mortgage and loans revenue	2,164	1,513	3,362	1,932
Investment interest	174	195	460	301
Net change in the fair value of investments	43	29	11	8
Total Investment Revenue	217	224	471	309
Total Operating Revenues	2,381	1,737	3,833	2,241
Operating Expenses				
Interest	693	1,036	2,558	1,481
Mortgage and loan costs	135	96	221	121
Operations and administration	168	117	238	127
Financing expenses	60	19	47	27
Provision for loan loss	(90)	(40)	(197)	(28)
Total Operating Expenses	966	1,228	2,867	1,728
Operating Income (Loss)	1,415	509	966	513
Nonoperating Expense Special Items & Transfers				
Transfers - Internal	172	122	246	132
Change in Net Assets	1,587	631	1,212	645
Net Assets at beginning of year	37,178	12,568	21,555	12,474
Net Assets at End of Period	38,765	13,199	22,767	13,119

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Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Combined Total
1,657	321	10,949
155	749	2,034
17	154	262
172	903	2,296
1,829	1,224	13,245
1,254	1,455	8,477
103	22	698
128	70	848
10	292	455
(128)	534	51
1,367	2,373	10,529
462	(1,149)	2,716
131	4,575	5,378
593	3,426	8,094
9,632	-	93,407
10,225	3,426	101,501

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 Nine Months Ended March 31, 2006

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Operating Revenues					
Mortgage and loans revenue	-	15,910	9,565	10,695	5,194
Investment interest	694	3,759	4,389	2,151	429
Net change in the fair value of investments	(75)	255	131	110	65
Total Investment Revenue	619	4,014	4,520	2,261	494
Other	-	-	10	7	-
Total Operating Revenues	619	19,924	14,095	12,963	5,688
Operating Expenses					
Interest	-	14,496	11,786	11,214	5,383
Mortgage and loan costs	-	486	646	696	373
Operations and administration	-	1,163	775	1,028	492
Financing expenses	-	779	426	124	40
Provision for loan loss	-	(837)	(669)	(780)	(465)
Total Operating Expenses	-	16,087	12,964	12,282	5,823
Operating Income (Loss)	619	3,837	1,131	681	(135)
Nonoperating Expense Special Items & Transfers					
Transfers - Internal	-	44,374	864	4,970	501
Change in Net Assets	619	48,211	1,995	5,651	366
Net Assets at beginning of year	20,794	(17,601)	46,921	133,945	2,956
Net Assets at End of Period	21,413	30,610	48,916	139,596	3,322

Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
372	12,233	53,969
62	5,013	16,497
12	113	611
74	5,126	17,108
-	-	17
446	17,359	71,094
537	9,300	52,716
-	867	3,068
87	964	4,509
36	704	2,109
-	(856)	(3,607)
660	10,979	58,795
(214)	6,380	12,299
117	1,661	52,487
(97)	8,041	64,786
1,745	112,178	300,938
1,648	120,219	365,724

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

NON HOUSING BONDS

For the Nine Months Ended March 31, 2006

(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Project Bonds 2002 A,B,C	State Building Lease Bonds 1999
Operating Revenues					
Mortgage and loans revenue	318	178	1,542	1,890	-
Investment interest	27	55	133	1,307	1,529
Net change in the fair value of investments	(1)	65	23	(309)	6
Total Investment Revenue	26	120	156	998	1,535
Other	-	-	19	5	-
Total Operating Revenues	344	298	1,717	2,893	1,535
Operating Expenses					
Interest	(700)	(513)	1,276	2,949	521
Mortgage and loan costs	27	19	159	168	-
Operations and administration	-	-	119	212	50
Financing expenses	493	727	16	189	16
Provision for loan loss	(262)	(165)	(90)	287	-
Total Operating Expenses	(442)	68	1,480	3,805	587
Operating Income (Loss)	786	230	237	(912)	948
Nonoperating Expense Special Items & Transfers					
Contributions to the State of Alaska or other State agencies	-	-	(1,666)	(12)	-
Transfers - Internal	(5,781)	254	3,545	6,198	(2,605)
Change in Net Assets	(4,995)	484	2,116	5,274	(1,657)
Net Assets at beginning of year	4,995	(484)	(2,172)	(7,706)	18,423
Net Assets at End of Period	-	-	(56)	(2,432)	16,766

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
612	4,801	5,507	5,339	20,187
443	563	1,661	393	6,111
6	368	(271)	339	226
449	931	1,390	732	6,337
-	-	-	-	24
1,061	5,732	6,897	6,071	26,548
984	3,189	4,560	5,040	17,306
50	457	568	324	1,772
46	435	532	554	1,948
30	445	154	121	2,191
(24)	(155)	(148)	(340)	(897)
1,086	4,371	5,666	5,699	22,320
(25)	1,361	1,231	372	4,228
-	-	(14,617)	-	(16,295)
1,053	882	(1,837)	3,353	5,062
1,028	2,243	(15,223)	3,725	(7,005)
534	(369)	67,397	18,504	99,122
1,562	1,874	52,174	22,229	92,117

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 Nine Months Ended March 31, 2006

(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Operating Revenues				
Investment interest	49	396	696	1
Net change in the fair value of investments	(7)	(69)	(108)	-
Total Investment Revenue	42	327	588	1
Externally funded programs	2,623	8,561	1,772	20,803
Rental	-	3,883	1,016	-
Other	1	140	-	-
Total Operating Revenues	2,666	12,911	3,376	20,804
Operating Expenses				
Interest	-	-	5	-
Operations and administration	133	10,456	2,200	2,654
Housing grants and subsidies expenses	4,624	-	-	17,469
Rental housing operating expenses	-	6,731	1,237	67
Total Operating Expenses	4,757	17,187	3,442	20,190
Operating Income (Loss)	(2,091)	(4,276)	(66)	614
Nonoperating Expense Special Items & Transfers				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Transfers - Internal	2,194	6,190	3,260	842
Change in Net Assets	103	1,914	3,194	1,456
Net Assets at beginning of year	2,722	106,367	38,512	584
Net Assets at End of Period	2,825	108,281	41,706	2,040

Other Programs	Combined Total
25	1,167
(4)	(188)
21	979
12,932	46,691
8	4,907
249	390
13,210	52,967
-	5
608	16,051
22,426	44,519
90	8,125
23,124	68,700
(9,914)	(15,733)
(5,865)	(5,865)
13,217	25,703
(2,562)	4,105
8,445	156,630
5,883	160,735

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
COMBINED - ALL FUNDS
For the Nine Months Ended March 31, 2006
(in thousands of dollars)

	Combined Revolving Funds	Combined First Time Homebuyer Bonds	Combined Veterans Mortgage Program Bonds and Notes	Combined Other Housing Bonds	Combined Non-Housing Bonds
Cash flows from operating activities:					
Interest income on mortgages and loans	26,911	27,733	10,558	52,243	18,859
Principal payments received on mortgages and loans	45,823	94,246	33,366	179,605	64,646
Purchases of mortgages and loans	(373,185)	-	-	-	-
Receipt (payment) for loan transfers between funds	232,998	(150,385)	(15,000)	(67,910)	297
Payments to employees and other payroll disbursements	(21,217)	-	-	-	-
Payments for goods and services	(35,837)	-	-	(41)	(29)
Cash received for externally funded programs	761	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-	-
Other operating cash receipts	41,093	11	-	17	660
Other operating cash payments	(2,575)	-	-	-	-
Net cash provided by (used for) operating activities	(85,228)	(28,395)	28,924	163,914	84,433
Cash flows from noncapital financing activities:					
Proceeds from the issuance of bonds	-	175,874	159,932	-	-
Principal paid on bonds	-	(32,275)	(21,650)	(76,240)	(48,452)
Payment of bond issuance costs	(1,585)	-	-	-	-
Interest paid	(4,764)	(15,391)	(4,935)	(37,128)	(15,303)
Proceeds from issuance of short term debt	1,272,624	-	-	-	-
Payment of short term debt	(1,206,399)	-	-	-	-
Contributions to the State of Alaska or other State agencies	(25,122)	-	-	-	(16,294)
Transfers (to) from other funds	15,758	3,029	369	1,242	5,461
Net cash provided by (used for) noncapital financing activities	50,512	131,237	133,716	(112,126)	(74,588)
Cash flows from capital financing activities:					
Acquisition of capital assets	(7,420)	-	-	-	-
Principal paid on capital notes	(23)	-	-	-	(1,328)
Interest paid on capital notes	(1)	-	-	-	(1,258)
Proceeds from the direct financing lease payments	-	-	-	-	2,535
Net cash provided by (used for) capital financing activities	(7,444)	-	-	-	(51)
Cash flows from investing activities:					
Purchase of investments	(4,281,646)	(415,985)	(314,859)	(1,379,345)	(461,505)
Proceeds from maturity of investments	4,316,675	309,898	150,992	1,310,593	446,228
Interest received from investments	12,248	1,961	731	14,573	4,690
Net cash provided by (used for) investing activities	47,277	(104,126)	(163,136)	(54,179)	(10,587)
Net Increase (decrease) in cash	5,117	(1,284)	(496)	(2,391)	(793)
Cash at the beginning of year	2,463	1,284	496	2,391	986
Cash at the end of period	7,580	-	-	-	193
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	30,074	153	2,716	12,299	4,228
Adjustments:					
Depreciation expense	80	-	-	-	-
Provision for loan losses	818	1,800	51	(3,607)	(897)
Amortization of bond issuance costs	-	224	138	257	1,176
Net change in the fair value of investments	1,720	(377)	(262)	(611)	(226)
Transfers between funds for operating activity	(64,203)	3,006	986	4,919	2,896
Interest received from investments	(12,248)	(1,961)	(731)	(14,573)	(4,690)
Interest paid	4,765	15,391	4,935	37,128	16,561
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	(62,737)	(56,139)	18,366	111,695	64,943
Net increase (decrease) in assets and liabilities	16,503	9,508	2,725	16,407	442
Net cash provided by (used for) operating activities	(85,228)	(28,395)	28,924	163,914	84,433

Combined Other Programs	Combined Total	
-	136,304	
-	417,686	
-	(373,185)	
-	-	
-	(21,217)	
-	(35,907)	
20,748	21,509	
23,848	23,848	
(22,793)	(22,793)	
5,261	47,042	
(7)	(2,582)	
27,057	190,705	
-	335,806	
-	(178,617)	
-	(1,585)	
-	(77,521)	
-	1,272,624	
-	(1,206,399)	
-	(41,416)	
(25,859)	-	
(25,859)	102,892	
-	(7,420)	
-	(1,351)	
-	(1,259)	
-	2,535	
-	(7,495)	
(68,611)	(6,921,951)	
67,848	6,602,234	
1,157	35,360	
394	(284,357)	
1,592	1,745	-
2,149	9,769	
3,741	11,514	
(15,733)	33,737	
3,576	3,656	
-	(1,835)	
-	1,795	
188	432	
52,396	-	
(1,157)	(35,360)	
-	78,780	
-	76,128	
(12,213)	33,372	
27,057	190,705	-

ALASKA HOUSING FINANCE CORPORATION *Schedule 16*

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

REVOLVING FUNDS

For the Nine Months Ended March 31, 2006

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Combined Total
Cash flows from operating activities:			
Interest income on mortgages and loans	26,752	159	26,911
Principal payments received on mortgages and loans	45,743	80	45,823
Purchases of mortgages and loans	(373,185)	-	(373,185)
Receipt (payment) for loan transfers between funds	232,998	-	232,998
Payments to employees and other payroll disbursements	(21,217)	-	(21,217)
Payments for goods and services	(35,837)	-	(35,837)
Cash received for externally funded programs	761	-	761
Other operating cash receipts	41,051	42	41,093
Other operating cash payments	(2,571)	(4)	(2,575)
Net cash provided by (used for) operating activities	(85,505)	277	(85,228)
Cash flows from noncapital financing activities:			
Payment of bond issuance costs	(1,585)	-	(1,585)
Interest paid	(4,764)	-	(4,764)
Proceeds from issuance of short term debt	1,272,624	-	1,272,624
Payment of short term debt	(1,206,399)	-	(1,206,399)
Contributions to the State of Alaska or other State agencies	(25,122)	-	(25,122)
Transfers (to) from other funds	15,758	-	15,758
Net cash provided by (used for) noncapital financing activities	50,512	-	50,512
Cash flows from capital financing activities:			
Acquisition of capital assets	(7,420)	-	(7,420)
Principal paid on capital notes	(23)	-	(23)
Interest paid on capital notes	(1)	-	(1)
Net cash provided by (used for) capital financing activities	(7,444)	-	(7,444)
Cash flows from investing activities:			
Purchase of investments	(4,236,323)	(45,323)	(4,281,646)
Proceeds from maturity of investments	4,271,922	44,753	4,316,675
Interest received from investments	11,939	309	12,248
Net cash provided by (used for) investing activities	47,538	(261)	47,277
Net Increase (decrease) in cash	5,101	16	5,117
Cash at the beginning of year	2,202	261	2,463
Cash at the end of period	7,303	277	7,580
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	29,761	313	30,074
Adjustments:			
Depreciation expense	80	-	80
Provision for loan losses	808	10	818
Net change in the fair value of investments	1,686	34	1,720
Transfers between funds for operating activity	(64,203)	-	(64,203)
Interest received from investments	(11,939)	(309)	(12,248)
Interest paid	4,765	-	4,765
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	(62,817)	80	(62,737)
Net increase (decrease) in assets and liabilities	16,354	149	16,503
Net cash provided by (used for) operating activities	(85,505)	277	(85,228)

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
FIRST TIME HOMEBUYER BONDS
For the Nine Months Ended March 31, 2006
(in thousands of dollars)

	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D	Mortgage Revenue Bonds 2001 A,B
Cash flows from operating activities:					
Interest income on mortgages and loans	3,263	1,636	6,232	3,091	4,082
Principal payments received on mortgages and loans	11,957	6,287	20,303	11,540	14,741
Receipt (payment) for loan transfers between funds	-	-	-	-	33
Other operating cash receipts	-	-	3	-	3
Net cash provided by (used for) operating activities	15,220	7,923	26,538	14,631	18,859
Cash flows from noncapital financing activities:					
Proceeds from the issuance of bonds	-	-	-	-	-
Principal paid on bonds	(4,805)	(2,255)	(12,485)	(3,650)	(9,080)
Interest paid	(1,304)	(946)	(3,945)	(2,426)	(2,626)
Transfers (to) from other funds	-	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(6,109)	(3,201)	(16,430)	(6,076)	(11,706)
Cash flows from investing activities:					
Purchase of investments	(34,658)	(17,946)	(55,472)	(44,424)	(53,619)
Proceeds from maturity of investments	25,048	13,014	44,579	35,495	45,961
Interest received from investments	348	154	510	238	273
Net cash provided by (used for) investing activities	(9,262)	(4,778)	(10,383)	(8,691)	(7,385)
Net Increase (decrease) in cash	(151)	(56)	(275)	(136)	(232)
Cash at the beginning of year	151	56	275	136	232
Cash at the end of period	-	-	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	957	436	1,039	(238)	1,276
Adjustments:					
Provision for loan losses	(255)	(155)	(469)	(303)	(1,090)
Amortization of bond issuance costs	48	28	40	53	31
Net change in the fair value of investments	(3)	(2)	(6)	(104)	(114)
Transfers between funds for operating activity	266	133	498	270	342
Interest received from investments	(348)	(154)	(510)	(238)	(273)
Interest paid	1,304	946	3,945	2,426	2,626
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	11,957	6,287	20,303	11,540	14,774
Net increase (decrease) in assets and liabilities	1,294	404	1,698	1,225	1,287
Net cash provided by (used for) operating activities	15,220	7,923	26,538	14,631	18,859

Home Mortgage Revenue Bonds 2002 A,B	Home Mortgage Revenue Bonds 2006 A	Home Mortgage Revenue Bonds 2006 B	Combined Total
8,528	901	-	27,733
28,909	509	-	94,246
(23,745)	(99,999)	(26,674)	(150,385)
5	-	-	11
13,697	(98,589)	(26,674)	(28,395)
-	99,998	75,876	175,874
-	-	-	(32,275)
(4,144)	-	-	(15,391)
(490)	2,001	1,518	3,029
(4,634)	101,999	77,394	131,237
(101,574)	(6,853)	(101,439)	(415,985)
91,656	3,426	50,719	309,898
421	17	-	1,961
(9,497)	(3,410)	(50,720)	(104,126)
(434)	-	-	(1,284)
434	-	-	1,284
-	-	-	-
1,259	(3,402)	(1,174)	153
(64)	3,079	1,057	1,800
13	7	4	224
(82)	(9)	(57)	(377)
915	431	151	3,006
(421)	(17)	-	(1,961)
4,144	-	-	15,391
5,164	(99,490)	(26,674)	(56,139)
2,769	812	19	9,508
13,697	(98,589)	(26,674)	(28,395)

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
VETERANS MORTGAGE PROGRAM BONDS AND NOTES - STATE GUARANTEED
For the Nine Months Ended March 31, 2006
(in thousands of dollars)

	Collateralized Bonds 1997 First Series	Collateralized Bonds 1998 First & Second Series	Collateralized Bonds 1999 First Series	Collateralized Bonds 2000 First Series
Cash flows from operating activities:				
Interest income on mortgages and loans	2,084	1,455	3,229	1,889
Principal payments received on mortgages and loans	7,099	4,868	9,223	6,941
Receipt (payment) for loan transfers between funds	-	-	-	-
Net cash provided by (used for) operating activities	9,183	6,323	12,452	8,830
Cash flows from noncapital financing activities:				
Proceeds from the issuance of bonds	-	-	-	-
Principal paid on bonds	(5,285)	(3,165)	(5,700)	(3,265)
Interest paid	(512)	(726)	(1,784)	(1,033)
Transfers (to) from other funds	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(5,797)	(3,891)	(7,484)	(4,298)
Cash flows from investing activities:				
Purchase of investments	(31,131)	(16,196)	(50,219)	(30,798)
Proceeds from maturity of investments	27,468	13,506	44,760	25,970
Interest received from investments	159	154	366	231
Net cash provided by (used for) investing activities	(3,504)	(2,536)	(5,093)	(4,597)
Net Increase (decrease) in cash	(118)	(104)	(125)	(65)
Cash at the beginning of year	118	104	125	65
Cash at the end of period	-	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	1,415	509	966	513
Adjustments:				
Provision for loan losses	(90)	(40)	(197)	(28)
Amortization of bond issuance costs	56	14	40	22
Net change in the fair value of investments	(43)	(29)	(11)	(8)
Transfers between funds for operating activity	172	122	246	132
Interest received from investments	(159)	(154)	(366)	(231)
Interest paid	512	726	1,784	1,033
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	7,099	4,868	9,223	6,941
Net increase (decrease) in assets and liabilities	221	307	767	456
Net cash provided by (used for) operating activities	9,183	6,323	12,452	8,830

Collateralized Bonds 2002 First Series	Collateralized Bonds/Notes 2005 First & Second Series	Combined Total
1,603	298	10,558
5,211	24	33,366
-	(15,000)	(15,000)
6,814	(14,678)	28,924
-	159,932	159,932
(4,235)	-	(21,650)
(880)	-	(4,935)
-	369	369
(5,115)	160,301	133,716
(39,092)	(147,423)	(314,859)
37,158	2,130	150,992
151	(330)	731
(1,783)	(145,623)	(163,136)
(84)	-	(496)
84	-	496
-	-	-
462	(1,149)	2,716
(128)	534	51
6	-	138
(17)	(154)	(262)
132	182	986
(151)	330	(731)
880	-	4,935
5,211	(14,976)	18,366
419	555	2,725
6,814	(14,678)	28,924

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
OTHER HOUSING BONDS
For the Nine Months Ended March 31, 2006
(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Cash flows from operating activities:					
Interest income on mortgages and loans	-	15,548	9,213	10,265	4,958
Principal payments received on mortgages and loans	-	29,977	36,280	48,662	19,797
Receipt (payment) for loan transfers between funds	-	(22,113)	227	(41,278)	(4,746)
Payments for goods and services	-	(41)	-	-	-
Other operating cash receipts	-	-	10	7	-
Net cash provided by (used for) operating activities	-	23,371	45,730	17,656	20,009
Cash flows from noncapital financing activities:					
Principal paid on bonds	-	(12,770)	(28,725)	-	-
Interest paid	-	(10,390)	(7,708)	(7,385)	(3,575)
Transfers (to) from other funds	-	1,242	-	-	-
Net cash provided by (used for) noncapital financing activities	-	(21,918)	(36,433)	(7,385)	(3,575)
Cash flows from investing activities:					
Purchase of investments	(114,264)	(232,517)	(170,198)	(329,573)	(106,292)
Proceeds from maturity of investments	113,571	225,999	157,102	316,814	89,212
Interest received from investments	693	4,721	3,211	1,839	402
Net cash provided by (used for) investing activities	-	(1,797)	(9,885)	(10,920)	(16,678)
Net Increase (decrease) in cash	-	(344)	(588)	(649)	(244)
Cash at the beginning of year	-	344	588	649	244
Cash at the end of period	-	-	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	619	3,837	1,131	681	(135)
Adjustments:					
Provision for loan losses	-	(837)	(669)	(780)	(465)
Amortization of bond issuance costs	-	109	49	38	31
Net change in the fair value of investments	75	(255)	(131)	(110)	(65)
Transfers between funds for operating activity	-	1,277	792	1,069	501
Interest received from investments	(693)	(4,721)	(3,211)	(1,839)	(402)
Interest paid	-	10,390	7,708	7,385	3,575
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	-	7,864	36,507	7,384	15,051
Net increase (decrease) in assets and liabilities	(1)	5,707	3,554	3,828	1,918
Net cash provided by (used for) operating activities	-	23,371	45,730	17,656	20,009

Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
525	11,734	52,243
3,689	41,200	179,605
-	-	(67,910)
-	-	(41)
-	-	17
4,214	52,934	163,914
(3,400)	(31,345)	(76,240)
(523)	(7,547)	(37,128)
-	-	1,242
(3,923)	(38,892)	(112,126)
(18,873)	(407,628)	(1,379,345)
18,518	389,377	1,310,593
64	3,643	14,573
(291)	(14,608)	(54,179)
-	(566)	(2,391)
-	566	2,391
-	-	-
(214)	6,380	12,299
-	(856)	(3,607)
6	24	257
(12)	(113)	(611)
117	1,163	4,919
(64)	(3,643)	(14,573)
523	7,547	37,128
3,689	41,200	111,695
169	1,232	16,407
4,214	52,934	163,914

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
NON-HOUSING BONDS
For the Nine Months Ended March 31, 2006
(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Project Bonds 2002 A,B,C	State Building Lease Bonds 1999
Cash flows from operating activities:					
Interest income on mortgages and loans	307	167	1,470	1,707	-
Principal payments received on mortgages and loans	1,612	496	4,451	5,700	-
Receipt (payment) for loan transfers between funds	-	-	-	-	-
Payments for goods and services	-	-	-	(29)	-
Other operating cash receipts	-	-	19	5	636
Net cash provided by (used for) operating activities	1,919	663	5,940	7,383	636
Cash flows from noncapital financing activities:					
Principal paid on bonds	(7,665)	(13,185)	(12,446)	(2,801)	(935)
Interest paid	(191)	(350)	(1,056)	(2,299)	(362)
Contributions to the State of Alaska or other State agencies	-	-	(1,666)	(12)	-
Transfers (to) from other funds	5,633	12,020	8,871	(19,581)	(871)
Net cash provided by (used for) noncapital financing activities	(2,223)	(1,515)	(6,297)	(24,693)	(2,168)
Cash flows from capital financing activities:					
Principal paid on capital notes	-	-	(794)	(534)	-
Interest paid on capital notes	-	-	(67)	(621)	-
Proceeds from the direct financing lease payments	-	-	-	-	2,535
Net cash provided by (used for) capital financing activities	-	-	(861)	(1,155)	2,535
Cash flows from investing activities:					
Purchase of investments	(3,679)	(4,624)	(14,209)	(59,965)	(2,908)
Proceeds from maturity of investments	3,922	5,361	15,190	76,918	2,096
Interest received from investments	28	96	168	1,443	2
Net cash provided by (used for) investing activities	271	833	1,149	18,396	(810)
Net Increase (decrease) in cash	(33)	(19)	(69)	(69)	193
Cash at the beginning of year	33	19	69	69	-
Cash at the end of period	-	-	-	-	193
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	786	230	237	(912)	948
Adjustments:					
Provision for loan losses	(262)	(165)	(90)	287	-
Amortization of bond issuance costs	492	541	17	16	8
Net change in the fair value of investments	1	(65)	(23)	309	(6)
Transfers between funds for operating activity	8	193	535	314	58
Interest received from investments	(28)	(96)	(168)	(1,443)	(2)
Interest paid	191	350	1,123	2,920	362
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	1,612	496	4,451	5,700	-
Net increase (decrease) in assets and liabilities	(881)	(821)	(142)	192	(732)
Net cash provided by (used for) operating activities	1,919	663	5,940	7,383	636

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
579	4,444	5,026	5,159	18,859
1,883	15,729	11,323	23,452	64,646
-	-	-	297	297
-	-	-	-	(29)
-	-	-	-	660
2,462	20,173	16,349	28,908	84,433
(4,635)	(5,165)	-	(1,620)	(48,452)
(717)	(3,073)	(2,991)	(4,264)	(15,303)
-	-	(14,616)	-	(16,294)
1,004	-	(2,493)	878	5,461
(4,348)	(8,238)	(20,100)	(5,006)	(74,588)
-	-	-	-	(1,328)
-	-	(570)	-	(1,258)
-	-	-	-	2,535
-	-	(570)	-	(51)
(4,738)	(112,380)	(140,692)	(118,310)	(461,505)
6,281	99,600	143,177	93,683	446,228
321	594	1,655	383	4,690
1,864	(12,186)	4,140	(24,244)	(10,587)
(22)	(251)	(181)	(342)	(793)
22	251	181	342	986
-	-	-	-	193
(25)	1,361	1,231	372	4,228
(24)	(155)	(148)	(340)	(897)
28	10	31	33	1,176
(6)	(368)	271	(339)	(226)
48	537	602	601	2,896
(321)	(594)	(1,655)	(383)	(4,690)
717	3,073	3,561	4,264	16,561
1,883	15,729	11,323	23,749	64,943
162	580	1,133	951	442
2,462	20,173	16,349	28,908	84,433

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
OTHER PROGRAM FUNDS
For the Nine Months Ended March 31, 2006
(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Cash flows from operating activities:				
Cash received for externally funded programs	1,321	8,430	1,772	2,104
Cash received for Federal HAP subsidies	-	-	-	18,726
Payments for Federal HAP subsidies	-	-	-	(17,671)
Other operating cash receipts	34	3,822	1,018	245
Other operating cash payments	-	(6)	(1)	-
Net cash provided by (used for) operating activities	1,355	12,246	2,789	3,404
Cash flows from noncapital financing activities:				
Transfers (to) from other funds	(1,329)	(13,244)	(2,285)	(1,826)
Net cash provided by (used for) noncapital financing activities	(1,329)	(13,244)	(2,285)	(1,826)
Cash flows from investing activities:				
Purchase of investments	(3,024)	(22,823)	(41,316)	-
Proceeds from maturity of investments	2,950	23,435	40,039	-
Interest received from investments	48	398	684	3
Net cash provided by (used for) investing activities	(26)	1,010	(593)	3
Net Increase (decrease) in cash	-	12	(89)	1,581
Cash at the beginning of year	-	599	524	924
Cash at the end of period	-	611	435	2,505
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(2,091)	(4,276)	(66)	614
Adjustments:				
Depreciation expense	-	3,090	465	12
Net change in the fair value of investments	7	69	108	-
Transfers between funds for operating activity	4,622	19,633	4,994	2,681
Interest received from investments	(48)	(398)	(684)	(3)
Changes in assets and liabilities:				
Net increase (decrease) in assets and liabilities	(1,135)	(5,872)	(2,028)	100
Net cash provided by (used for) operating activities	1,355	12,246	2,789	3,404

Other Programs	Combined Total
7,121	20,748
5,122	23,848
(5,122)	(22,793)
142	5,261
-	(7)
7,263	27,057
(7,175)	(25,859)
(7,175)	(25,859)
(1,448)	(68,611)
1,424	67,848
24	1,157
-	394
88	1,592
102	2,149
190	3,741
(9,914)	(15,733)
9	3,576
4	188
20,466	52,396
(24)	(1,157)
(3,278)	(12,213)
7,263	27,057

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Alaska Housing FINANCE CORPORATION

a component unit of the State of Alaska

Financial Statements

And Independent Auditors' Report

June 30, 2005

With Summarized Financial Information for June 30, 2004

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This is a publication of Alaska Housing Finance Corporation. For comments or questions:
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Independent Auditor's Report

The Board of Directors
Alaska Housing Finance Corporation:

We have audited the accompanying statements of net assets, revenues, expenses, and changes in net assets and cash flows of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation (the Corporation) as of and for the year ended June 30, 2005, which collectively comprise the Corporation's basic financial statements. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2004 financial statements that were audited by other auditors, and whose report dated September 17, 2004 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Alaska Housing Finance Corporation as of June 30, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 2, 2005, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Board of Directors
Alaska Housing Finance Corporation

The Management's Discussion and Analysis on pages 3-8 and the schedule of funding progress for PERS on page 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mikunda, Cottrell & Co.

September 2, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three sections: management's discussion and analysis, the basic financial statements and supplementary schedules. The Corporation's operations are business type activities and follow enterprise fund accounting. The Corporation is a component unit of the State of Alaska ("the State") and is discretely presented in the State's financial statements. The Corporation's basic financial statements include: the Statement of Net assets; the Statement of Revenues, Expenses and Changes in Net Assets; the Statement of Cash Flows and the Notes to Financial Statements. These statements are presented for all of the Corporation's operations and programs, with a dual focus on the Corporation as a whole (entity-wide) and on its major funds. Summarized financial information for FY 2004 is also presented and is intended to facilitate and enhance understanding of the Corporation's financial position, results of operations and cash flows for the current fiscal year in comparison to the prior fiscal year.

Management's Discussion and Analysis

This section of the Alaska Housing Finance Corporation's ("the Corporation") annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal year ended June 30, 2005. This information is being presented to assist the reader in focusing on significant financial issues and to provide additional information regarding the activities of the Corporation. This information should be read in conjunction with the Independent Auditors' Report, the audited financial statements and accompanying notes.

Basic Financial Statements

The *Statement of Net Assets (Exhibit A)* answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities of the Corporation, both financial and capital, short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. The resulting net assets presented in this statement are displayed as restricted or unrestricted. Assets are restricted when their use is subject to external limits such as bond resolutions, legal agreements or statutes. Assets falling outside this category are characterized as unrestricted. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

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

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

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

<u>Major Funds</u>

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. For fiscal year 2005, the Corporation reports the following major funds:

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

- provide for general working capital requirements of the Corporation
- fund program requirements

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

As of June 30, 2005, the Administrative Fund reported net assets of $935 million, an increase of $278 million from June 30, 2004. The increase in net assets can be primarily attributed to internal transfers into the Administrative Fund of $265 million. Approximately $86 million, or 9%, of the Administrative Fund's net assets are restricted by contractual or statutory agreements and $849 million, or 91%, are unrestricted and may be used for operations and to meet the continuing obligations of the Corporation.

The Administrative Fund reported operating income of $42 million for FY 2005, an increase of $23 million from FY 2004, due primarily to increases in change in fair market value of investments held of $4 million, mortgage and loan revenues of $21 million and offset by a decrease in the provision for loan loss of $2 million.

The *Housing Development Bonds Fund* accounts for debt issued and assets pledged for payment of the debt under the bond indentures for Housing Development projects.

The *Government Purpose Bonds 2001 A-D Fund* accounts for debt issued and assets pledged for payment of the debt under the 2001 Series A-D Supplemental Indenture dated July 1, 2001.

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

FINANCIAL HIGHLIGHTS

- As a result of this year's operations, the Corporation's operating income was $40 million. Profitability, based on operating income, as measured by the adjusted return on average assets (excluding the change in the fair value of investments) decreased to 0.9% at June 30, 2005, compared to 1.1% at June 30, 2004. The change in the fair value has been removed from the ratio due to the volatility of the return.
- The Corporation's assets exceeded its liabilities as of June 30, 2005, by $ 1.68 billion (net assets).
- The Corporation's mortgage loan portfolio is one of its primary assets. During the fiscal year ended June 30, 2005, mortgage loans decreased by 0.9%, due to collection of loan payments exceeding new loan purchases.
- During the fiscal year ended June 30, 2005, the Corporation's total assets increased by $54 million due primarily to changes in investments & mortgage loans. Total liabilities increased by $78 million due primarily to a $68 million increase in short-term debt.
- During FY 2005 the Corporation defeased $167 million of its outstanding bonds using the proceeds from new bond issues. This advance refunding decreased aggregated debt service payments by $28 million over the next 25 years.

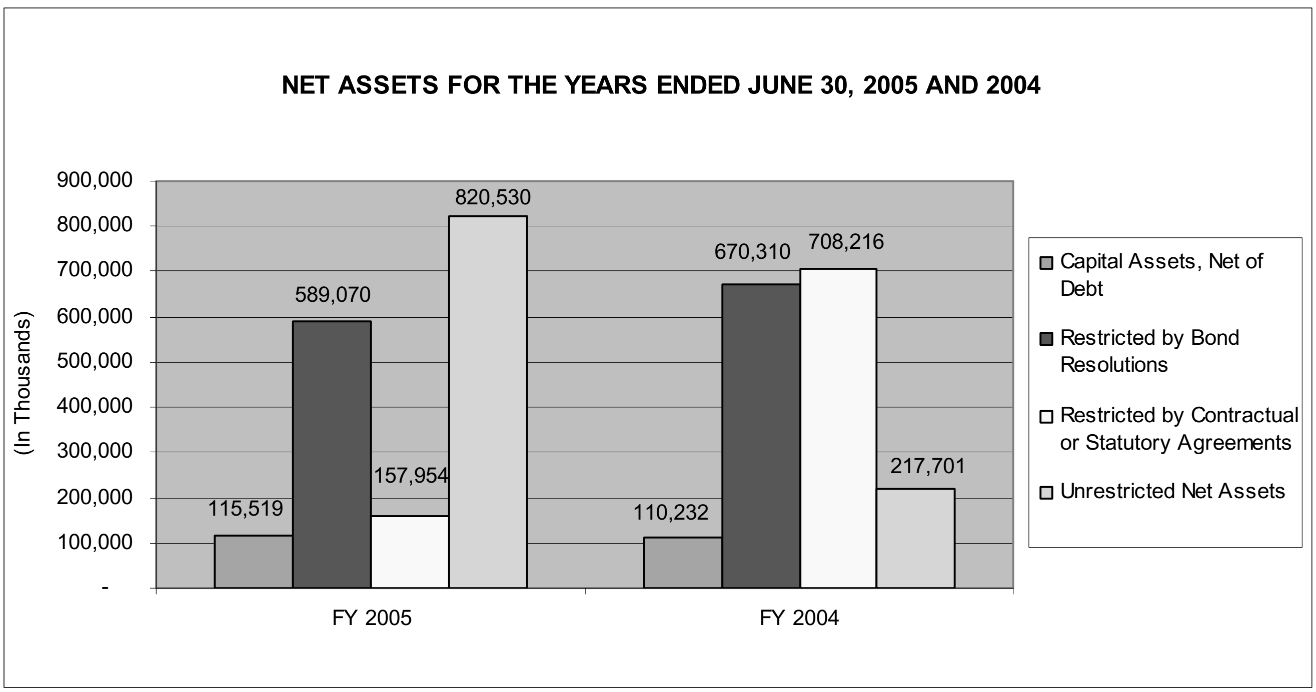
CONDENSED STATEMENT OF NET ASSETS

The following table presents condensed information about the financial position of the Corporation as of June 30, 2005 and 2004, and changes in the balances of selected items during the fiscal year ended June 30, 2005 (in thousands):

	2005	2004	Change Increase (Decrease)	
Investments	$ 1,219,415	$ 1,143,547	$ 75,868	6.6 %
Mortgage loans, notes and other loans, net	3,325,182	3,355,300	(30,118)	(0.9) %
Capital assets, net	116,073	110,813	5,260	4.7 %
Total assets	4,762,933	4,708,480	54,453	1.2 %
Bonds and notes, net	2,898,730	2,890,879	7,851	0.3 %
Total liabilities	3,079,860	3,002,021	77,839	2.6 %
Total net assets	1,683,073	1,706,459	(23,386)	(1.4) %

There were no significant changes in total assets and liabilities in FY 2005.

The chart below represents the classification of unrestricted and restricted net assets, and capital assets, net of debt, for FY 2005 and FY 2004.

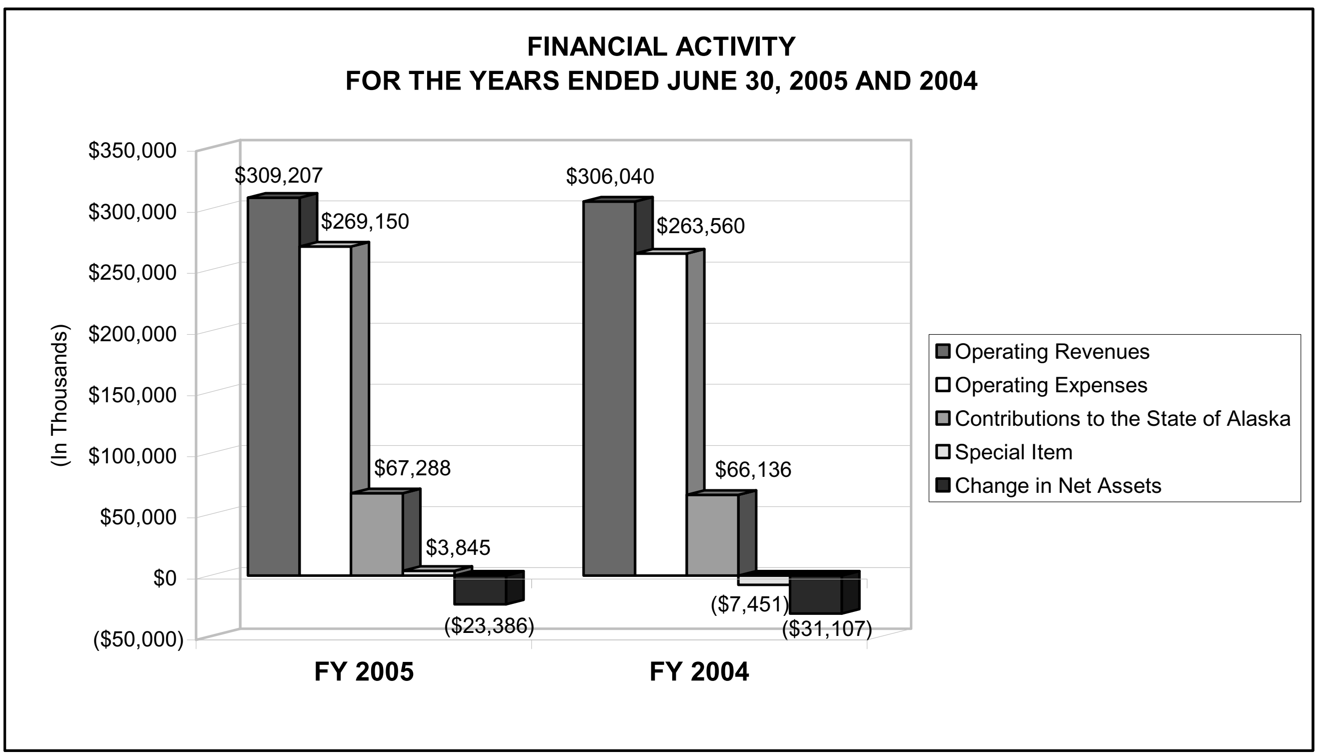


In fiscal year 2005, Net Assets were reclassified when the Housing Assistance Loan Fund changed from a statutory fund to a program within the Administrative Fund of the Corporation.

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

The following table presents condensed information about the revenues, expenses and changes in net assets for the fiscal years ended June 30, 2005 and 2004, and the variance from the prior fiscal year (in thousands):

	2005	2004	Change Increase (Decrease)	
Mortgages and loan revenue	$ 201,386	$ 206,300	$ (4,914)	(2.4) %
Investment interest income	43,162	46,358	(3,196)	(6.9) %
Net change in the fair value of investments	(1,653)	(9,554)	7,901	82.7 %
Externally funded programs	57,877	56,084	1,793	3.2 %
Total operating revenues	309,207	306,040	3,167	1.0 %
Interest expense	141,161	151,165	(10,004)	(6.6) %
Operations and administration	35,530	36,240	(710)	(2.0) %
Housing grants and subsidies	56,506	48,640	7,866	16.2 %
Total operating expenses	269,150	263,560	5,590	2.1 %
Operating income	40,057	42,480	(2,423)	(5.7) %
Contributions to the State of Alaska or other State agencies	(67,288)	(66,136)	(1,152)	1.7 %
Special item	3,845	(7,451)	11,296	151.6 %
Change in net assets	(23,386)	(31,107)	7,721	24.8 %



There was a slight increase of $3 million, or 1.0%, in operating revenue over FY 2004 primarily due to a change in the fair value of investments. Total expenses increased by $6 million, or 2.1%. However, interest expense decreased by $10 million, or 6.6%, from the previous fiscal year due to the removal of bond costs on past redemptions. That change was offset by an $8 million, or 16.2%, increase in housing grants and subsidies expense. For further grant information see accompanying Notes to the Financial Statements (Note 17). The net effect of changes in revenues and expenses was a 5.7% decrease in operating income from $42 million to $40 million.

The Corporation continued its series of annual payments to the State of Alaska and State agencies. As a result of a modification to the Transfer Plan during the 2004 Legislative Session, transfers to the State for FY 2005 were, and for FY 2006 will continue to be, $103 million. In FY 2007 the Transfer Plan calls for payment of the lesser of $103 million or 95% of the Corporation's net income, with this payment percentage declining to 85% in FY 2008 and 75% in the fiscal years thereafter. Subsequent to GASB 34, the Corporation interprets net income as operating income.

During FY 2005, the Corporation recorded a gain on sale of a loan in the amount of $4 million. Because loan sales are unusual and infrequent for the Corporation, the gain on sale was treated as a special item on the Corporation's Statement of Revenues, Expenses and Changes in Net Assets. During FY 2004 the Corporation had a special item, a loss of $7 million, on its Statement of Revenues, Expenses and Changes in Net Assets. This was a result of the Corporation calling bonds for early redemption, which included call premiums. While the early redemption is not unusual for the Corporation, the occurrence of an associated call premium is infrequent and therefore the transactions were treated as a special item for financial reporting.

The Change in Net Assets was a decrease of $23 million for FY 2005, a smaller decrease than the $31 million decrease in FY 2004, and was primarily due to non-operating transactions shown as Special Items.

DEBT ADMINISTRATION

As of June 30, 2005, the Corporation had $2.90 billion of bonds and notes payable secured by assets held and the general obligation pledge of the Corporation. The Corporation's debt is rated by three major rating agencies. The ratings assigned to the Corporation by each of those agencies are:

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

Significant debt activity during the year included the following:

- Issued $308 million in Tax-Exempt General Housing Purpose Bonds;
- Issued $105 million in Federally Taxable Housing Development Bonds;
- Remarketed $144 million in Federally Taxable General Housing Purpose Bonds to Tax-Exempt General Housing Purpose Bonds;
- Defeased $167 million of the Corporation's outstanding bonds using the proceeds from the above new bond issues;

- Redeemed bonds through surplus redemption provisions of their respective indentures in the amount of $151 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, 2005, 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 to Financial Statements.

ECONOMIC FACTORS AND OTHER FINANCIAL INFORMATION

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

The Corporation's main sources of revenues include mortgage loan activity, investment interest income and externally funded grants and subsidies. Market interest rates have an effect on both the mortgage program and investment income revenues. Interest rates in the United States remained at low levels during FY 2005. If interest rates continue at current levels, the Corporation expects mortgage and investment income to remain relatively stable. If interest rates rise, mortgage and investment income should increase as new loans are originated and new investments are purchased at the higher rates. If interest rates fall, mortgage and investment income will decrease as new loans are originated and new investments are purchased at the lower rates. Any decrease in interest rates could also cause an increase in prepayments on higher rate mortgages. The Corporation uses many of these prepayments to call the corresponding bond series, which lowers the interest expense incurred on the Corporation's overall bonds outstanding, or to recycle mortgages to obtain the maximum allowable spread. Large federal deficits or changes in programs or funding levels could have a negative impact on externally funded program revenues.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

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

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
As of June 30, 2005
(with summarized financial information for June 30, 2004)
(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Governmental Purpose Bonds 2001 A-D
ASSETS			
Current			
Cash	2,202	344	566
Investments	447,556	25,727	18,031
Accrued interest receivable	3,768	3,300	1,889
Mortgage loans, notes and other loans	14,700	5,631	9,753
Net investment in direct financing lease	-	-	-
Other assets	935	97	40
Intergovernmental receivable	5	-	-
Total Current	469,166	35,099	30,279
Non Current			
Investments	-	122,551	116,243
Mortgage loans, notes and other loans, net of allowance	608,626	246,166	282,307
Net investment in direct financing lease	-	-	-
Unamortized bond issuance costs	-	3,889	1,546
Capital assets - non-depreciable	148	-	-
Capital assets - depreciable, net	301	-	-
Other assets	1,633	-	-
Total Non Current	610,708	372,606	400,096
Total Assets	1,079,874	407,705	430,375
LIABILITIES			
Current			
Bonds and notes payable	-	6,095	5,755
Short term debt	138,375	-	-
Accrued interest payable	673	1,592	982
Other liabilities	4,958	693	1,180
Intergovernmental payable	-	-	-
Total Current	144,006	8,380	7,917
Non Current			
Bonds and notes payable	-	416,926	310,280
Other liabilities	816	-	-
Total Non Current	816	416,926	310,280
Total Liabilities	144,822	425,306	318,197
NET ASSETS			
Invested in capital assets, net of related debt	449	-	-
Restricted by bond resolutions	-	-	112,178
Restricted by contractual or statutory agreements	85,741	-	-
Unrestricted net assets, (deficit)	848,862	(17,601)	-
Total Net Assets	935,052	(17,601)	112,178

See accompanying notes to the financial statements.

Other Non-Major Funds	Total June 30, 2005	Year Ended June 30, 2004
6,657	9,769	7,939
208,139	699,453	617,090
11,805	20,762	19,897
53,280	83,364	81,679
1,799	1,799	1,705
10,292	11,364	7,875
710	715	699
292,682	827,226	736,884
281,168	519,962	526,457
2,104,719	3,241,818	3,273,621
31,044	31,044	32,842
19,700	25,135	26,404
40,543	40,691	40,227
75,081	75,382	70,586
42	1,675	1,459
2,552,297	3,935,707	3,971,596
2,844,979	4,762,933	4,708,480
79,127	90,977	91,396
-	138,375	70,145
10,900	14,147	14,562
12,433	19,264	15,977
3,007	3,007	4,358
105,467	265,770	196,438
2,080,547	2,807,753	2,799,483
5,521	6,337	6,100
2,086,068	2,814,090	2,805,583
2,191,535	3,079,860	3,002,021
115,070	115,519	110,232
476,892	589,070	670,310
72,213	157,954	708,216
(10,731)	820,530	217,701
653,444	1,683,073	1,706,459

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, 2005

(with summarized financial information for June 30, 2004)

(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Governmental Purpose Bonds 2001 A-D
OPERATING REVENUES			
Mortgage and loans revenue	41,281	20,540	18,108
Investment interest	9,505	3,095	5,585
Net change in the fair value of investments	(1,409)	4	6
Total Investment Revenue	8,096	3,099	5,591
Externally funded programs	-	-	-
Rental	-	-	-
Other	650	-	6
Total Operating Revenues	50,027	23,639	23,705
OPERATING EXPENSES			
Interest	1,959	16,205	10,588
Mortgage and loan costs	3,039	557	1,262
Operations and administration	2,683	1,129	1,207
Financing expenses	1,149	611	1,528
Provision for loan loss	(1,161)	(2,944)	(75)
Housing grants and subsidies	422	-	-
Rental housing operating expenses	2	-	-
Total Operating Expenses	8,093	15,558	14,510
Operating Income (Loss)	41,934	8,081	9,195
NONOPERATING EXPENSES, SPECIAL ITEM & TRANSFERS			
Contributions to the State of Alaska or other State agencies	(31,840)	(2,552)	-
Special Item (note 21)	3,845	-	-
Transfers - Internal	264,549	24,858	2,962
Change in Net Assets	278,488	30,387	12,157
Net assets at beginning of year	656,564	(47,988)	100,021
Net Assets at End of Period	935,052	(17,601)	112,178

See accompanying notes to the financial statements.

Other Non-Major Funds	Total June 30, 2005	Year Ended June 30, 2004
121,457	201,386	206,300
24,977	43,162	46,358
(254)	(1,653)	(9,554)
24,723	41,509	36,804
57,877	57,877	56,084
6,183	6,183	6,109
1,596	2,252	743
211,836	309,207	306,040
112,409	141,161	151,165
8,272	13,130	13,059
30,511	35,530	36,240
8,653	11,941	6,168
4,077	(103)	(1,861)
56,084	56,506	48,640
10,983	10,985	10,149
230,989	269,150	263,560
(19,153)	40,057	42,480
(32,896)	(67,288)	(66,136)
-	3,845	(7,451)
(292,369)	-	-
(344,418)	(23,386)	(31,107)
997,862	1,706,459	1,737,566
653,444	1,683,073	1,706,459

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2005
(with summarized financial information for June 30, 2004)
(in thousands of dollars)

	Administrative Fund	Housing Development Bonds	Governmental Purpose Bonds 2001 A-D
Cash flows from operating activities:			
Interest income on mortgages and loans	38,769	20,799	18,566
Principal payments received on mortgages and loans	48,315	51,422	56,196
Purchases of mortgages and loans	(567,521)	-	-
Receipt (payment) for loan transfers between funds	357,672	(26,507)	(30,069)
Payments to employees and other payroll disbursements	(25,535)	-	-
Payments for goods and services	(49,377)	(102)	-
Cash received for externally funded programs	237	-	-
Cash received for Federal HAP subsidies	-	-	-
Payments for Federal HAP subsidies	-	-	-
Other operating cash receipts	55,184	-	6
Other operating cash payments	(6,399)	-	-
Net cash provided by (used for) operating activities	(148,655)	45,612	44,699
Cash flows from noncapital financing activities:			
Proceeds from the issuance of bonds	-	105,000	-
Principal paid on bonds	-	(24,355)	(5,475)
Payment to defease bonds	-	-	-
Payment of bond issuance costs	(1,509)	-	-
Interest paid	(1,668)	(15,603)	(10,343)
Proceeds from issuance of short term debt	828,416	-	-
Payment of short term debt	(760,477)	-	-
Contributions to the State of Alaska or other State agencies	(52,606)	(2,553)	-
Transfers (to) from other funds	232,748	5,566	-
Other cash payments	-	-	-
Net cash provided by (used for) noncapital financing activities	244,904	68,055	(15,818)
Cash flows from capital financing activities:			
Acquisition of capital assets	(11,055)	-	-
Proceeds from the disposal of capital assets	255	-	-
Proceeds from the issuance of capital notes	-	-	-
Principal paid on capital notes	(26)	-	-
Payment of bond issuance costs	(34)	-	-
Interest paid on capital notes	(2)	-	-
Proceeds from the direct financing lease payments	-	-	-
Net cash provided by (used for) capital financing activities	(10,862)	-	-
Cash flows from investing activities:			
Purchase of investments	(4,520,876)	(456,572)	(279,560)
Proceeds from maturity of investments	4,427,212	341,572	245,352
Interest received from investments	9,336	1,439	5,459
Net cash provided by (used for) investing activities	(84,328)	(113,561)	(28,749)
Net Increase (decrease) in cash	1,059	106	132
Cash at the beginning of year	1,143	238	434
Cash at the end of period	2,202	344	566
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	41,934	8,081	9,195
Adjustments:			
Depreciation expense	96	-	-
Provision for loan losses	(1,161)	(2,944)	(75)
Amortization of bond issuance costs	-	131	31
Net change in the fair value of investments	1,409	(4)	(6)
Transfers between funds for operating activity	(104,910)	1,307	1,515
Interest received from investments	(9,336)	(1,439)	(5,459)
Interest paid	1,670	15,603	10,343
Changes in assets and liabilities:			
Net increase (decrease) in mortgages and loans	(114,066)	24,915	26,127
Net increase (decrease) in assets and liabilities	35,709	(38)	3,028
Net cash provided by (used for) operating activities	(148,655)	45,612	44,699
Noncash investing, capital and financing activities:			
Asset transfers	(379,800)	16,322	

See accompanying notes to the financial statements.

Other Non-Major Funds	Total June 30, 2005	Year Ended June 30, 2004
123,795	201,929	203,817
386,312	542,245	806,512
-	(567,521)	(823,798)
(301,096)	-	-
-	(25,535)	(22,687)
(41)	(49,520)	(42,278)
22,374	22,611	24,463
32,908	32,908	29,946
(32,916)	(32,916)	(30,434)
7,771	62,961	10,961
(613)	(7,012)	(6,419)
238,494	180,150	150,083
300,993	405,993	287,300
(210,536)	(240,366)	(511,545)
(173,820)	(173,820)	-
(2,009)	(3,518)	(1,901)
(115,472)	(143,086)	(145,902)
-	828,416	865,429
-	(760,477)	(945,188)
(10,669)	(65,828)	(66,852)
(238,314)	-	-
(130)	(130)	(3,424)
(449,957)	(152,816)	(522,083)
-	(11,055)	(10,442)
484	739	161
24,000	24,000	-
(1,080)	(1,106)	(1,051)
(166)	(200)	-
(1,031)	(1,033)	(671)
-	-	3,549
22,207	11,345	(8,454)
(2,494,985)	(7,751,993)	(8,678,819)
2,660,942	7,675,078	8,999,668
23,832	40,066	46,329
189,789	(36,849)	367,178
533	1,830	(13,276)
6,124	7,939	21,215
6,657	9,769	7,939
(19,153)	40,057	42,480
4,976	5,072	3,974
4,077	(103)	(1,861)
2,563	2,725	2,403
254	1,653	9,554
102,088	-	-
(23,832)	(40,066)	(46,329)
116,503	144,119	146,573
85,216	22,192	(17,286)
(34,198)	4,501	10,575
238,494	180,150	150,083
363,478		

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FOOTNOTE INDEX

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FOR THE YEAR ENDED JUNE 30, 2005
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2004)

1 AUTHORIZING LEGISLATION AND FUNDING

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

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

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

The 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 and 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 is not included in the Corporation's financial statements. NTSC is a government instrumentality of, but separate and apart from, the State and is reported as a blended component unit in the State's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

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

Summarized financial information for fiscal year 2004 has been presented in the accompanying financial statements in order to provide an understanding of changes in the Corporation's entity-wide financial position, results of operations and cash flows on an entity-wide basis. However, the summarized financial information is not intended to present the financial position, result of operations or cash flows in accordance with accounting principles generally accepted in the United States of America.

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

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

Housing Development Bonds. This fund accounts for debt issued and assets pledged for payment of the debt under the bond indentures for Housing Development projects.

Government Purpose Bonds 2001 A-D. This fund accounts for debt issued and assets pledged for payment of the debt under the 2001 Series A-D Supplemental Indenture dated as of July 1, 2001.

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 Net Assets
The restricted net asset amounts of the Administrative Fund consist of the Corporation's remaining commitments to the State (refer to Footnote No. 16, State Authorizations and Commitments, for further details). The remaining resources of the Administrative Fund are unrestricted.

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

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

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

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

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

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 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.

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

Bonds and Notes
The Corporation issues bonds and notes to provide capital for its mortgage programs, and other uses consistent with its mission. The bonds and notes are recorded at cost plus accreted interest and premiums, less discounts and deferred debt refunding expenses. Discounts and premiums are amortized using the 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 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.

Reclassifications
Certain prior year balances have been reclassified to conform to the current period presentation.

3 CASH AND INVESTMENTS

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

	June 30, 2005	June 30, 2004
Restricted cash	$ 7,567	$ 7,282
Unrestricted	2,202	657
Carrying amount	9,769	7,939
Bank balance	$ 11,570	$ 8,172

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

	Investment Maturities (in Years)					
	Less Than 1	1-5	6-10	More Than 10	June 30, 2005	June 30, 2004
Bank investment contracts	$ 198,848	$ -	$ -	$ -	$ 198,848	$ 200,039
U.S. Treasury securities	19,654	53,949	-	-	73,603	28,683
Securities of U.S. Government agencies and corporations	204,459	51,543	-	-	256,002	220,589
Asset-backed securities	1,071	20,983	2,013	-	24,067	34,340
Certificates of deposit	15,000	-	-	-	15,000	15,000
Commercial paper & medium term notes	444,777	42,743	2,340	-	489,860	454,049
Guaranteed investment contracts	128,907	-	-	-	128,907	154,557
Money market funds	33,128	-	-	-	33,128	36,290
Total investments	$1,045,844	$ 169,218	$ 4,353	$ -	$1,219,415	$1,143,547

Restricted Investments

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

	June 30, 2005	June 30, 2004
Restricted investments	$ 857,599	$ 893,658
Unrestricted	361,816	249,889
Carrying amount	$ 1,219,415	$ 1,143,547

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, 2005	June 30, 2004
Ending unrealized holding gain (loss)	$ 423	$ (745)
Beginning unrealized holding gain (loss)	(745)	7,227
Net change in unrealized holding gain (loss)	1,168	(7,972)
Net realized loss	(2,821)	(1,582)
Net decrease in Fair Value	$ (1,653)	$ (9,554)

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

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

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

- Obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States;
- Obligations of U.S. government-sponsored agencies, including mortgage securities, that are not backed by the full faith and credit of the U.S. Government;
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of, and deposits with, any bank the short-term obligations of which have been rated at least “A-1” by S&P or “P-1” by Moody's or “F-1” by Fitch;
- Deposits in and investments of a commercial bank or credit union which are fully insured by the FDIC or NCUA or, to the extent not insured by the FDIC or NCUA, provide for the pledge of collateral maintained at a minimum level of 105% and valued at least monthly;
- Debt obligations, other than those that do not have a fixed par value or terms that do not promise a fixed dollar amount at maturity or call date, rated at least “AA” by S&P or “Aa” by Moody's or “AA” by Fitch if maturing in excess of one year, and “A-1” by S&P or “P-1” by Moody's or “F1” by Fitch if maturing in one year or less;
- Asset-backed securities, other than commercial paper and those that do not have a fixed par value or terms that do not promise a fixed dollar amount at maturity or call date, rated at least “AA” by S&P or “Aa” by Moody's or “AA” by Fitch;
- Commercial paper, including asset-backed commercial paper, rated at least “A-1” by S&P or “P-1” by Moody's or “F1” by Fitch;
- Repurchase agreements (repos) with a corporation or other entity which has long-term debt ratings of at least “A” by S&P or “A” by Moody's or “A” by Fitch or short-term ratings of at least “A-1” by S&P or “P-1” by Moody's or “F-1” by Fitch and where collateral is maintained at a minimum level of 102%, valued on a daily basis;
- Money market funds which are rated at least “AAm” or “AAm-G” by S&P or “Aa” by Moody's, or “V-1+” by Fitch;
- Investment agreements or guaranteed investment contracts with an insurance company, bank or other financial institution having outstanding unsecured long-term obligations rated, or a claims paying or investment agreement rating, at least “AA” by S&P or “Aa” by Moody's or “AA” by Fitch, or, if the term is one year or less, at least “A-1” by S&P or “P-1” by Moody's or “F1” by Fitch;

- Floating rate notes issued by entities having outstanding unsecured long-term obligations rated "AA" by S&P or "Aa" by Moody's or "AA" by Fitch, or, if the term of the floating rate note is one year or less, having outstanding short-term obligations rated at least "A-1" by S&P or "P-1" by Moody's or "F1" by Fitch; with interest rates subject to adjustment at least every 100 days; and with a maximum maturity of three years or less, or an optional tender available to bondholders no less frequently than every interest rate reset date;
- Adjustable rate funds, provided they are rated "AAAf" credit and "S-1" volatility by S&P and "Aaa" by Moody's;
- International Bank for Reconstruction & Development debt obligations rated "AAA" by S&P or "Aaa" by Moody's or "AAA" by Fitch.

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

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

The credit quality ratings of the Corporation's investments as of June 30, 2005, as described by nationally recognized statistical rating organizations, are shown below (in thousands). $73,603,000 of U.S. Treasury securities and securities of agencies and corporations which are explicitly guaranteed by the U.S. government are not considered to have credit risk and therefore, are not included in the summary.

	Moody's	S & P	Investment Fair Value
Securities of U. S. Government agencies and corporations:			
	Aaa	AAA	$ 256,002
Asset-backed securities:			
	Aaa	AAA	22,996
Commercial paper & medium-term notes:			
	Aaa	AAA	13,193
	Aa1	AA+	1,979
	Aa1	AA-	2,400
	Aa2	AA	2,204
	Aa2	AA-	7,164
	Aa2	A+	2,099
	Aa3	AA	11,183
	Aa3	AA-	5,838
	Aa3	A+	5,568
	Aa3	A	1,015
	A1	AA-	1,028
	P-1	A-1+	314,355
	P-1	A-1	106,344
	--	A-1	14,147
	Baa3	BBB	1,343
			489,860
Money market funds			
	--	AAAm	29,713
Unrated investments:			
Bank investment contracts			198,848
Asset-backed securities			1,071
Certificates of deposit			15,000
Guaranteed investment contracts			128,907
Money market funds			3,415
			347,241
			$ 1,145,812

NOTES TO FINANCIAL STATEMENTS

Concentration Risk
Concentration risk is the risk of loss attributed to the magnitude of the Corporation's investment in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for trust investments. The Corporation's fiscal policies set the maximum concentration limits for non-trust investments as follows:

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

Investment Holdings Greater than Five Percent of Total Portfolio
The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's fiscal policy and trusted investments which have no established concentration limits. Investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments are excluded from this summary. As of June 30, 2005, the Corporation had investment balances, greater than 5 percent of the Corporations total investments, with the following issuers (in thousands).

Issuer	Investment Fair Value	Percentage of Total Portfolio
Bayerische Landesbank	$ 133,611	11.0%
Fannie Mae	121,814	10.0
FSA Capital Management Services	105,000	8.6
UBS Finance	75,048	6.2
Westdeutsche Landesbank	65,237	5.4
GE Capital Services	64,806	5.3

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

Of the Corporation's $11,570,000 bank balance at June 30, 2005, cash deposits in the amount of $5,741,000 were uninsured and uncollateralized.

Of the Corporation's $1,219,415,000 total investments at June 30, 2005, bank investment contracts in the amount of $133,611,000 were uninsured, unregistered, and held by the counterparty or its agent, but not in the Corporation's name.

Interest Rate Risk
Interest rate risk is the risk that the market value of investments will decline as a result of changes in general interest rates. For non-trust investments, the Corporation mitigates interest rate risk by structuring its investment maturities to meet cash requirements (including corporate operations), thereby avoiding the need to sell securities in the open market prior to maturity. For investments held in trust, investment maturities are structured to meet cash requirements as outlined in the bond indentures and contractual and statutory agreements.

Modified Duration
Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Corporation's trusted and non-trusted investments (in thousands) with their modified duration as of June 30, 2005:

	Investment Fair Value	Modified Duration
Bank investment contracts	$ 198,848	0.000
U.S. Treasury securities:		
Treasury coupon securities	68,258	1.885
Treasury discounts	5,345	0.188
Securities of U.S. Government agencies and corporations:		
Federal agency discounts	176,695	0.110
Federal agency coupon securities	62,445	1.627
Federal agency pass through securities	16,862	1.032
Asset-backed securities	24,067	2.763
Certificates of deposit	15,000	0.132
Commercial paper & medium term notes:		
Commercial paper discounts	434,845	0.100
Corporate bonds	5,239	2.642
Medium term notes	44,564	1.855
Municipal bonds	1,343	7.827
Floating rate notes	3,869	2.160
Guaranteed investment contracts	128,907	0.000
Money market funds	33,128	0.000
	$ 1,219,415	
Portfolio modified duration		0.443

A minimal percentage of the Corporation's total investment portfolio is municipal bonds, which are relatively more sensitive to changing interest rates than the rest of the Corporation's investment portfolio. Municipal bonds held as of June 30, 2005, are as follows:

	Rate	Maturity
Northern Tobacco Securitization Corporation	4.75%	June 1, 2015

4 MORTGAGE LOANS, NOTES AND OTHER LOANS

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

	June 30, 2005	June 30, 2004
Mortgage loans	$ 3,107,178	$ 3,073,293
Mortgage-backed securities issued by the Corporation	15,387	24,508
Multi-family loans	262,066	316,749
Other notes receivable	29,142	29,433
	3,413,773	3,443,983
Less:		
Allowance for losses	(88,591)	(88,683)
Net Mortgage loans, notes and other loans	$ 3,325,182	$ 3,355,300

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

	June 30, 2005	June 30, 2004
Delinquencies and foreclosures:		
Loans delinquent 30 days or more	$ 100,797	$ 113,271
Foreclosures during period	2,347	3,947
Loans in foreclosure process	9,629	7,282
Mortgage-related commitments:		
To purchase mortgage loans	109,845	179,861
To repurchase loans upon foreclosure	13,694	19,825

5 INSURANCE AGREEMENTS

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

6 LOAN SELF INSURANCE PROGRAM

The Corporation, for the purpose of insuring itself against losses which might occur as a result of mortgages purchased under various loan programs, collects insurance premiums from the borrowers. The insurance premiums 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.

7 DIRECT FINANCING LEASE

In July, 1997, the Corporation purchased an office building in downtown Anchorage with its Administrative Fund assets for approximately $26 million. The building is part of the Corporation's State Lease Building Program (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):

12 Months Ending June 30	Future Minimum Payments Due
2006	$ 3,549
2007	3,549
2008	3,549
2009	3,549
2010	3,549
Thereafter	28,397
Gross payments due	46,142
Less: Unearned revenue	(13,299)
Net investment in direct financing lease	$ 32,843

8 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 and a summary of balances are shown below (in thousands):

	July 1, 2004	Additions	Reductions	June 30, 2005
NON-DEPRECIABLE CAPITAL ASSETS:				
Land	$ 13,847	$ -	$ (85)	$ 13,762
Construction in progress	26,380	10,266	(9,717)	26,929
TOTAL NON-DEPRECIABLE	40,227	10,266	(9,802)	40,691
DEPRECIABLE CAPITAL ASSETS:				
Buildings	151,562	9,621	(708)	160,475
Computers & Equipment	3,158	153	(64)	3,247
Leasehold Improvements	-	88	-	88
Vehicles	1,803	152	-	1,955
	156,523	10,014	(772)	165,765
Less: Accumulated depreciation				
Buildings	(81,662)	(4,736)	562	(85,836)
Computers & Equipment	(2,832)	(159)	64	(2,927)
Leasehold Improvements	-	(5)		(5)
Vehicles	(1,443)	(172)	-	(1,615)
	(85,937)	(5,072)	626	(90,383)
TOTAL DEPRECIABLE, NET	70,586	4,942	(146)	75,382
TOTAL CAPITAL ASSETS, NET	$ 110,813	$ 15,208	$ (9,948)	$ 116,073

The depreciation expense charged by the Corporation was $5,072,000 for the year ended June 30, 2005.

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 $6,243,000 at June 30, 2005.

9 BONDS AND NOTES PAYABLE

With the exception of the Veterans Mortgage Program Bonds, the Corporation's obligations are not a debt of the State and the State is not directly liable thereon. The Veterans Mortgage Program Bonds 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.

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

	Original Amount	June 30, 2005	June 30, 2004
FIRST-TIME HOME BUYER BONDS:			
Mortgage Revenue Bonds:			
Tax-Exempt:			
• 1996 Series A,			
4.4% to 6.5%, due 2005-2027	159,870	-	17,226
Accreted interest		-	4,623
• 1997 Series A,			
4.15% to 6.0%, due 2005-2037	160,000	59,500	70,720
Accreted interest		6,497	5,464
Unamortized discount		(386)	(399)
• 1998 Series A,			
3.95% to 5.4%, due 2005-2035	70,000	36,765	39,680
• 1999 Series A1 & A2			
4.5% to 6.25%, due 2005-2031	200,000	133,070	143,445
Unamortized discount		(115)	(117)
• 2000 Series A,			
5.9% to 6.0%, due 2036-2040	58,315	28,920	28,920
• 2000 Series B,			
5.45%, due 2015	3,795	3,795	3,795
• 2000 Series C,			
4.7% to 6.0% due 2010-2032	68,785	40,340	43,345
Unamortized discount		(211)	(235)
• 2001 Series A,			
2.5% to 5.3%, due 2005-2031	32,740	26,165	28,175
• 2001 Series B,			
4.15% to 5.45%, due 2007-2041	104,450	75,325	77,785
Unamortized premium		69	74
• 2002 Series A, Floating Rate*,			
2.45% at June 30, 2005, due 2032, 2036	170,000	170,000	170,000
Taxable:			
• 2000 Series D,			
7.0% to 7.32%, due 2005-2020	25,740	8,140	11,965
• 2002 Series B, Floating Rate*			
3.30% at June 30, 2005, due 2036	30,000	24,255	24,255
TOTAL FIRST-TIME HOMEBUYER BONDS	1,083,695	612,129	668,721

	Original Amount	June 30, 2005	June 30, 2004
VETERANS MORTGAGE PROGRAM BONDS:			
Collateralized State Guaranteed Bonds:			
Tax-Exempt:			
• Collateralized Bonds 1994 First Series, 5.3% to 6.8%	130,000	-	22,705
• Collateralized Bonds 1995 First Series, 4.6% to 6.55%	30,000	-	1,900
Unamortized discount		-	(13)
• Collateralized Bonds 1997 First Series, 5.5%, due 2039	100,000	20,120	24,425
• Collateralized Bonds 1998 First and Second Series, 4.0% to 5.5%, due 2005-2040	60,000	27,310	29,855
Unamortized discount		(183)	(192)
• Collateralized Bonds 1999 First Series, 4.3% to 6.25%, due 2005-2039	110,000	59,110	66,255
• Collateralized Bonds 2000 First Series, 4.75% to 6.45%, due 2005-2039	70,000	33,145	38,705
• Collateralized Bonds 2002 First Series, 2.65% to 5.65%, due 2005-2034	50,000	32,970	34,935
TOTAL VETERANS MORTGAGE PROGRAM BONDS	550,000	172,472	218,575
OTHER HOUSING BONDS:			
Housing Development Bonds:			
Tax-Exempt:			
• 1997 Series A, 4.15% to 5.7%, due 2005-2029	6,510	360	470
• 1997 Series B, 4.25% to 5.8%, due 2005-2029	17,000	930	1,210
• 1999 Series A, 4.1% to 6.3%, due 2005-2029	1,675	1,545	1,575
• 1999 Series B, 4.2% to 6.37%, due 2005-2029	5,080	4,710	4,790
Unamortized discount		(2)	(2)
• 1999 Series C, 4.1% to 6.2%, due 2005-2029	50,000	46,235	47,055
Unamortized discount		(17)	(17)
• 2000 Series B, Floating Rate*, monthly payments, 2.3% at June 30, 2005, due 2030	41,705	41,705	41,705
• 2002 Series A, 1.8% to 5.3%, due 2005-2033	8,440	3,420	3,550
• 2002 Series B, 1.6% to 5.15%, due 2005-2022	8,690	7,930	8,240

NOTES TO FINANCIAL STATEMENTS

	Original Amount	June 30, 2005	June 30, 2004
• 2002 Series C, 1.6% to 5.25%, due 2005-2032	70,000	67,010	68,225
• 2002 Series D, Floating Rate*, monthly payments, 2.20% at June 30, 2005, due 2037	37,870	36,380	36,990
• 2004 Series A, 1.3% to 4.85%, due 2005-2030	33,060	32,405	33,060
• 2004 Series B, 1.2% to 4.75%, due 2005-2032	52,025	51,070	52,025
Taxable:			
• 1997 Series C, 6.8% to 7.55%, due 2007-2029	23,895	1,065	1,375
• 2004 Series C, Floating Rate Auction Bonds** Payments every five weeks, 3.14% at June 30, 2005 due 2005-2035	42,125	23,275	42,125
• 2004 Series D, 3.65% to 5.6%, due 2005-2043	105,000	105,000	-
SUB-TOTAL HOUSING DEVELOPMENT BONDS	503,075	423,021	342,376
General Mortgage Revenue Bonds:			
Tax-Exempt:			
• 1997 Series A, 4.15% to 6.1%, due 2005-2037	434,911	270,576	315,721
Accreted interest		6,656	5,657
• 1999 Series A, 4.25% to 6.05%, due 2005-2049	302,700	249,760	251,420
Unamortized deferred debt refunding expense		(1,706)	(1,787)
Unamortized discount		(1,677)	(1,790)
• 2002 Series A, 3.45% to 5.0%, due 2010-2040	150,000	150,000	150,000
Unamortized deferred debt refunding expense		(1,282)	(1,325)
Unamortized premium		593	611
Government Purpose Bonds:			
Tax-Exempt:			
• 1995 Series A, 4.5% to 5.875%,	335,000	-	153,605
Unamortized discount		-	(3,151)
• 1997 Series A, Floating Rate* monthly payments, 2.43% at June 30, 2005, due 2027	33,000	26,700	28,200
• 2001 Series A, Floating Rate*, 2.40% at June 30, 2005, due 2030	76,580	70,830	72,405
• 2001 Series B, Floating Rate*, 2.20% at June 30, 2005, due 2030	93,590	86,555	88,485

	Original Amount	June 30, 2005	June 30, 2004
Taxable:			
• 2001 Series C, Floating Rate*, monthly payments, 3.27% at June 30, 2005, due 2032	100,000	96,580	97,780
• 2001 Series D, Floating Rate*, monthly payments, 3.30% at June 30, 2005, due 2032	100,000	62,070	62,840
TOTAL OTHER HOUSING BONDS	2,128,856	1,438,676	1,561,047
NON-HOUSING BONDS:			
State Capital Project Bonds:			
Tax-Exempt:			
• 1999 Series A, 3.4% to 5.0%, due 2005-2005	92,365	7,665	22,450
Unamortized premium		859	1,231
• 1999 Series B, 4.0% to 5.5%, due 2005-2005	103,980	13,185	33,915
Unamortized premium		805	1,021
• 2001 Series A, 3.2% to 5.25%, due 2005-2007	74,535	46,190	55,625
Unamortized premium		1,302	1,527
• 2002 Series A, 3% to 4%, due 2005-2011	32,905	26,655	29,865
Unamortized premium		1,161	1,429
• 2002 Series B, Floating Rate Auction Bonds** Payments every four weeks, 2.40% at June 30, 2005, due 2024	14,555	14,555	14,555
• 2002 Series C, Floating Rate* 2.26% at June 30, 2005, due 2022	60,250	60,250	60,250
State Building Lease Bonds:			
Tax-Exempt:			
• 1999 Series, 4.25% to 5.8%, due 2005-2017	40,000	14,165	32,460
Unamortized discount		(74)	(168)
General Housing Purpose Bonds:			
Tax-Exempt:			
• 1992 Series A, 5.3% to 6.6%, due 2005-2023	200,000	23,340	27,705
• 2003 Series A, Floating Rate*, monthly payments, 2.40% at June 30, 2005, due 2023	143,995	136,790	143,995
• 2003 Series B, Floating Rate*, monthly payments, 2.40% at June 30, 2005, due 2023	16,095	16,095	16,095
• 2005 Series A, 2.2% to 5.25%, due 2006-2041	143,235	143,235	-
Unamortized premium		6,114	-

	Original Amount	**June 30, 2005**	**June 30, 2004**
2005 Series B,			
2.6% to 5.25%, due 2005-2030	147,610	147,610	-
Unamortized deferred debt refunding expense		(11,646)	-
Unamortized premium		9,758	-
2005 Series C,			
2.6% to 5%, due 2005-2017	16,885	16,885	-
TOTAL NON-HOUSING BONDS	1,086,410	674,899	441,955
OTHER PROGRAM FUNDS:			
Home Ownership Notes:			
Tax-Exempt:			
• Wrangell Project HUD Note, monthly payments, 1.0%-3.0%, due 2005-2007	1,161	554	581
TOTAL OTHER PROGRAMS	1,161	554	581
TOTAL BONDS PAYABLE	$ 4,850,122	$ 2,898,730	$ 2,890,879

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

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

** Interest rates on the annotated variable-rate auction bonds are established by the Auction Agents on each Auction Date.

Redemption Provisions

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

During the year ended June 30, 2005, the Corporation made special revenue redemptions of $150,596,000 and no current refundings. The Corporation made special revenue redemptions of $214,235,000 and current refundings of $232,815,000 during fiscal year 2004.

Advance Refundings

In May, 2005, the Corporation issued $147,610,000 in General Housing Purpose Bonds, 2005 Series B with an average interest rate of 4.88% and $16,885,000 in General Housing Purpose Bonds, 2005 Series C with an average interest rate of 4.83%. These bonds were issued to defease $150,995,000 of Governmental Purpose Bonds, 1995 Series A with an average interest rate of 5.81% and $2,635,000 serial bonds maturing 4/1/2012 and 10/1/2012, $7,255,000 term bonds maturing 4/1/2015, and $6,595,000 term bonds maturing 4/1/2017 of the State Building Lease Bonds, Series 1999 with an average interest rate of 5.72%.

Net proceeds of the General Housing Purpose Bonds, 2005 Series B totaled $155,801,000 after a premium of $9,238,000, a discount of $5,000, an underwriting fee of $1,014,000 and COI fees of $27,000. These net proceeds were deposited with an escrow agent to provide all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for the Governmental Purpose Bonds, 1995 Series A bonds has been removed. The final redemption of the Governmental Purpose Bonds, 1995 Series A will occur on December 1, 2005.

Net proceeds of the General Housing Purpose Bonds, 2005 Series C totaled $18,019,000 after a premium of $1,263,000, an underwriting fee of $121,000 and COI fees of $7,000. These net proceeds were deposited with an escrow agent to provide all future debt service payments on the refunded bonds. As a result, the portion of the State Building Lease Bonds, Series 1999 referenced above are considered to be defeased and the liability for these bonds has been removed. The final redemption of the portion of State Building Lease Bonds, Series 1999 referenced above will occur on April 1, 2010.

This advance refunding resulted in the recognition of debt refunding expense (representing the difference between the reacquisition price and the net carrying amount of the refunded debt) totaling $11,646,000 which has been deferred, and will be amortized over the remaining life of the refunded debt. This advance refunding also decreased aggregate debt service payments by $28,059,000 over the next twenty-five years. It allowed the Corporation to obtain an economic gain of approximately $17,003,000, which represents the difference between the present value of the defeased bonds' debt service payments net of related reserve funds and accrued interest, and refunding bonds.

Debt Service Requirements**

For all mortgage bonds and notes in the preceding schedules, the Corporation's debt service requirements through 2010 and in five year increments thereafter to maturity, categorized by each Major Fund and other Non-Major Funds in the aggregate, are shown below and continued on the following page (in thousands):

12 Months Ending June 30	Housing Development Bonds (Various Issues)		Governmental Purpose Bonds Series 2001 A-D	
	Principal	Interest*	Principal	Interest*
2006	$ 6,095	$ 18,771	$ 5,755	$ 11,672
2007	6,310	18,583	6,065	11,449
2008	6,780	18,445	6,370	11,224
2009	6,770	18,140	6,715	10,959
2010	7,060	17,974	7,040	10,710
Total Five Years 2006-2010	33,015	91,913	31,945	56,014
Five Years Ending June 30				
2011-2015	40,590	85,029	41,360	49,183
2016-2020	52,030	74,465	53,145	40,430
2021-2025	63,300	60,210	69,230	29,205
2026-2030	73,805	43,026	91,070	14,636
2031-2035	87,445	22,514	29,285	1,219
2036-2040	53,880	10,140	-	-
2041-2045	18,975	1,782	-	-
2046-2049	-	-	-	-
	$ 423,040	$ 389,079	$ 316,035	$ 190,687

* Interest requirements for variable-rate bonds have been computed using the effective interest rate at June 30, 2005.

** Also see Note 10 – Derivatives.

NOTES TO FINANCIAL STATEMENTS

Other Non-Major Bonds		Total Debt Service		
Principal	Interest*	Principal	Interest*	Total
$ 79,127	$ 105,813	$ 90,977	$ 136,256	$ 227,233
54,003	102,369	66,378	132,401	198,779
36,794	100,079	49,944	129,748	179,692
35,890	98,457	49,375	127,556	176,931
32,450	96,976	46,550	125,660	172,210
238,264	503,694	303,224	651,621	954,845
234,020	455,701	315,970	589,913	905,883
281,576	423,943	386,751	538,838	925,589
323,891	326,508	456,421	415,923	872,344
352,256	264,974	517,131	322,636	839,767
286,230	175,615	402,960	199,348	602,308
324,643	75,414	378,523	85,554	464,077
55,095	23,012	74,070	24,794	98,864
47,165	6,478	47,165	6,478	53,643
$2,143,140	$2,255,339	$2,882,215	$2,835,105	$5,717,320

10 DERIVATIVES

Swap Objectives

In order to both reduce the Corporation's overall cost of borrowing long-term capital and protect against the potential of rising interest rates, AHFC entered into six separate pay-fixed, receive-variable interest rate swap agreements at a cost less than what the Corporation would have paid to issue conventional fixed-rate debt.

Swap Payments and Associated Debt

As of June 30, 2005, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms are displayed in the following schedule. As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Fiscal Year Ending June 30	VRDO Principal	VRDO Interest	Swap Net Payment	Total Payments
2006	$3,640	$8,048	$7,741	$19,429
2007	3,795	8,003	7,671	19,469
2008	4,640	7,934	7,595	20,169
2009	5,135	7,823	7,505	20,463
2010	5,465	7,729	7,406	20,600
2011-2015	52,775	36,345	34,816	123,936
2016-2020	79,320	29,603	28,268	137,191
2021-2025	96,950	20,562	19,851	137,363
2026-2030	81,955	11,598	11,484	105,037
2031-2035	52,240	4,450	4,496	61,186
2036-2037	16,275	335	339	16,949
	$402,190	**$142,430**	**$137,172**	**$681,792**

Significant Terms

The terms, fair values and credit ratings of the Corporation's outstanding swaps as of June 30, 2005, are included in the following schedule. The notional amounts of the swaps match the principal amounts of the associated debt. These notional amounts amortize over a time period that approximates the payments the Corporation would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Present Values	Fair Values	Effective Date	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating[6]
GP01A[1]	$ 70,830	$ 79,413	$ (8,583)	08/02/01	4.1427%	67% of LIBOR[4]	12/01/30	A/A2
GP01B	86,555	97,119	(10,564)	08/02/01	4.1427%	67% of LIBOR	12/01/30	A+/Aa3
E021A1[2]	50,000	56,158	(6,158)	05/16/02	4.1030%	68% of LIBOR	06/01/32	AAA/Aaa
E021A2	120,000	132,506	(12,506)	05/16/02	4.3430%	68% of LIBOR	12/01/36	AAA/Aaa
SC02B[3]	14,555	15,571	(1,016)	12/05/02	3.7700%	70% of LIBOR	07/01/24	AAA/Aaa
SC02C	60,250	63,949	(3,699)	12/05/02	4.3030%	BMA[5] + 0.115%	07/01/22	AAA/Aaa
	$ 402,190	**$ 444,716**	**$ (42,526)**					

1. Governmental Purpose Bonds
2. Home Mortgage Revenue Bonds
3. State Capital Project Bonds
4. London Interbank Offered Rate
5. The Bond Market Association Municipal Swap Index
6. Standard & Poor's/Moody's

Fair Value
Because interest rates have declined sharply and taxable/tax-exempt spreads have narrowed since the agreements became effective, all of the Corporation's LIBOR-based and BMA-based interest rate swaps had a negative fair value as of June 30, 2005. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on the Corporation's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by the Corporation, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap liabilities in the marketplace if a swap were to be terminated.

Risks

a. **Credit Risk**
As of June 30, 2005, the Corporation was not exposed to credit risk on any of its outstanding swaps because they all had negative fair values. If interest rates rise and the fair values of the swaps become positive, the Corporation would be exposed to credit risk in the amount of the swap's fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall below specific levels. The Corporation currently has swap agreements with four separate counterparties. Approximately 61% of the total notional amount of swaps is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, one of the counterparties is rated A+/Aa3 while the other counterparty is rated A/A2, approximating 21% and 18%, respectively, of the total outstanding notional swap value.

b. **Basis Risk**
A majority of the Corporation's variable-rate demand obligation bond coupon payments are based on the BMA index. Therefore, the Corporation is exposed to basis risk on swaps where the variable payment received is based on a LIBOR index rather than a BMA index. As of June 30, 2005, the BMA rate was 2.28%, whereas LIBOR was 3.34%. Since the spread between LIBOR and BMA has narrowed since the agreements became effective, the expected cost savings from the swaps may not be as large as originally anticipated.

c. **Rollover Risk**
Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the bonds mature the swaps will amortize. In addition, the swaps covering the 2001 Governmental Purpose Bonds cover only a portion of the debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The swap agreements associated with the 2002 Home Mortgage Revenue Bonds were structured with several tranches, allowing the Corporation to cancel individual tranches of the swap to match special redemptions of the bonds. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.

d. **Termination Risk**
If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, thus, the Corporation would be exposed to interest rate risk. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. As of June 30, 2005, the Corporation is not exposed to any additional termination risk on its interest rate swaps.

11 LONG TERM LIABILITIES

The activity for other liabilities for the year ended June 30, 2005 is summarized in the following schedule (in thousands):

	July 1, 2004	Additions	Reductions	June 30, 2005	Due Within One Year
Bonds and notes payable	$ 2,890,879	$ 421,104	$ (413,253)	$ 2,898,730	$ 90,977
Compensated absences	2,764	2,323	(2,080)	3,007	2,068
Other liabilities	5,318	4,181	(4,101)	5,398	-
Total other long-term liabilities	8,082	6,504	(6,181)	8,405	2,068
	$ 2,898,961	$ 427,608	$ (419,434)	$ 2,907,135	$ 93,045

12 SHORT TERM DEBT

The Corporation has a commercial paper program. Commercial paper is issued and redeemed to meet the cash flow requirements of the Corporation's activities. Individual maturities may range from 2 to 270 days from date of issuance. The maximum aggregate outstanding principal balance authorized by the Board of Directors is $150,000,000. A summary of commercial paper, which represents an unsecured general obligation of the Corporation, is shown below (in thousands):

	June 30, 2005	June 30, 2004
Maturity amount	$ 138,510	$ 70,170
Less: Discounts	(135)	(25)
Balance outstanding	$ 138,375	$ 70,145
Yields issued during period:		
Lowest	1.1600%	1.0000%
Highest	3.2200%	1.1600%

Short Term Debt Activity

Short term debt activity for the year ended June 30, 2005 is summarized in the following schedule (in thousands):

	July 1, 2004	Additions	Reductions	June 30, 2005
Commercial paper	$ 70,170	$ 830,485	$ (762,145)	$ 138,510
Unamortized discount	(25)	(2,069)	1,959	(135)
	$ 70,145	$ 828,416	$ (760,186)	$ 138,375

13 TRANSFERS

Transfers for the year ended June 30, 2005 are summarized in the following schedule (in thousands):

Transfer To	Transfer From: Administrative Fund	Government Purpose Bonds 2001 A-D	Other Non-Major Funds	Total
Administrative Fund	$ -	$ -	$ 238,526	$ 238,526
Housing Development	6,760	113	-	6,873
Government Purpose Bonds 2001 A-D	1,834	-	-	1,834
Other Non-Major Funds	102,094	206	15,049	117,349
Total	$ 110,688	$ 319	$ 253,575	$ 364,582

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

14 OTHER CREDIT ARRANGEMENTS

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

	June 30, 2005	June 30, 2004
Liquidity facility	$ 863,175	$ 875,855
Bond insurance	2,229,826	1,960,616
	$ 3,093,001	$ 2,836,471

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 reestablished in October, 2002, a $200,000,000 revolving credit facility that is not related to a specific bond issue. At June 30, 2005, no draw downs had been made on the revolving credit facility.

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.

15 YIELD RESTRICTION AND ARBITRAGE REBATE

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

	June 30, 2005	June 30, 2004
Arbitrage expense	$ 4,181	$ (68)
Arbitrage paid	3,841	62

16 STATE AUTHORIZATIONS AND COMMITMENTS

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

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

The projected amounts stated in the legislative intent language were based on the Corporation's financial operating plan and represent the total amount of anticipated State transfers and capital expenditures rather than projected "net income".

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	127,846	187
FY 1997	100,448	100,167	281
FY 1998*	131,515	130,837	678
FY 1999*	102,994	101,027	1,967
FY 2000*	105,138	98,665	6,473
FY 2001*	103,107	93,091	10,016
FY 2002	103,000	92,099	10,901
FY 2003*	103,499	89,116	14,383
FY 2004*	103,036	79,741	23,295
FY 2005	103,000	85,447	17,553
Total	$ 1,106,270	$ 1,020,529	$ 85,741

* 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 the lesser of $103 million or the Corporation's net income annually to the year 2008.

The 2002 and 2004 Legislature adopted legislation authorizing the additional issuance of bonds in sufficient amounts to fund the construction of various State capital projects. The bond proceeds are allocated to agencies and municipalities subject to specific legislative appropriation.

As of June 30, 2005, the Corporation has issued $196,345,000 principal amount of State Capital Project Bonds pursuant to the 1998 Act, $74,535,000 principal amount of State Capital Project Bonds pursuant to the 2000 Act, and $107,710,000 principal amount of State Capital Project Bonds pursuant to the 2002 Act, and has completed its issuance authority under the Acts. The payment of principal and interest on these bonds will be included in future capital budgets of the Corporation.

The Twenty-Third Legislature in 2003 enacted SCSBH 256 (the "2003" Act) which added language to the Alaska Statutes to modify and incorporate the Transfer Plan. The Corporation and the State view the 2003 Act as an indefinite, sustainable continuation of the Transfer Plan. As approved and signed into law by the Governor, the Transfer Plan calls for annual transfers as follows (in thousands):

Fiscal Year	Transfer Plan Amount
2005	$103,000
2006	103,000
2007	Lesser of 95% Net Income or 103,000
2008	Lesser of 85% Net Income or 103,000
2009 & Thereafter	Lesser of 75% Net Income or 103,000

Subsequent to GASB 34, the Corporation interprets net income as operating income.

Transfers 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 transfer funds to or on behalf of the State. Following is a summary of the different types of transfers (in thousands):

	June 30, 2005	June 30, 2004	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	29,618	8,861	492,727	531,206
Other State appropriations	2,078	-	-	2,078
Non-Housing capital projects	22,372	24,658	209,767	256,797
Various bond's proceeds disbursed	13,220	32,617	210,660	256,497
Total	$ 67,288	$ 66,136	$1,309,554	$1,442,978

17 GRANTS

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

Program	June 30, 2005	June 30, 2004
Energy Programs:		
• Enhanced Weatherization	$ 957	$ 865
• Low-Income Weatherization Assistance	4,090	5,389
• State Energy Program	303	244
• Others	627	260
	5,977	6,758
Section 8 Vouchers and Contract Administration	26,156	24,207
Other Housing Assistance Programs:		
• Beneficiary and Special Needs Housing	1,844	-
• Drug Elimination Program	225	242
• Denali Teacher Housing	1,159	-
• Healthy Homes	284	250
• HOME Program	3,758	2,989
• Homeless Assistance Program	809	695
• Housing Loan Program	1,914	-
• Housing Opportunities for Persons with AIDS	600	491
• Section 8 Contract Administration	6,555	6,004
• Senior Citizens Housing	2,034	1,655
• Supplemental Housing	3,101	4,152
• Supportive Housing Grant Match	845	742
• Others	817	394
	23,945	17,614
Other Programs	428	61
Total Housing Grant Expenses	56,506	48,640
Other Program Funds:		
• State Match Federal Aid Airports Proj. – FY 98 Appro.	70	563
• Municipal Matching Grants – FY 99 Appro.	6,576	4,765
• University of Alaska – FY 99 Appro.	145	711
• Village Safe Water Grants Program – FY 99 Appro.	11,791	10,620
• Benefit Special Needs Housing – FY 01 Appro.	-	1,941
• Child Protection Information System – FY 01 Appro.	849	1,769
• UAF Hutchison Career Center – FY 01 Appro.	-	1,248
• AK Public Safety Info. Network Redesign – FY 02 Appro.	816	-
• Brother Francis Shelter Replacement – FY 03 Appro.	450	-
• St. Paul Harbor Improvements – FY 03 Appro.	-	459
• Law Enforcement Equipment Replacement – FY 05 Appro.	340	-
• FY 98 Legislative Appropriations – Others	151	367
• FY 99 Legislative Appropriations – Others	11	229
• FY 00 Legislative Appropriations	-	86
• FY 01 Legislative Appropriations	544	1,150
• FY 02 Legislative Appropriations	28	250
• FY 04 Legislative Appropriations	194	500
• FY 05 Legislative Appropriations	407	-
Total Non-Housing Capital Project Grants	22,372	24,658
Total Grants	$ 78,878	$ 73,298

In addition to grant payments made, the Corporation has advanced grant funds of $5,673,000 and committed to third parties a sum of $18,215,000 in grant awards at June 30, 2005.

18 OTHER PROGRAMS

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

Housing Assistance Programs

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

- Low Rent Management
- Modernization/Capital Fund Programs

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

- Section 8 Moderate Rehabilitation
- Section 8 Vouchers

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

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

- Drug Elimination Grant
- Denali Commission Housing Programs
- Family Self Sufficiency Program (FSS)
- Family Investment Center Grant
- Gateway Literacy Program
- Grant Match Program
- Healthy Homes Initiative
- HOME Investment Partnerships Program (HOME)
- HOME Technical Assistance
- Housing Opportunities for Persons with AIDS (HOPWA)
- Housing Preservation Grants
- Service Coordinator for Public Housing Agencies Grant
- Shelter Plus Care Program
- Special Needs Assistance
- Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)
- Supportive Housing Technical Assistance
- Teacher and Health Professional Housing Programs

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

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 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:

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

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

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

Housing Units Owned, Managed or Administered

The Public Housing Division of the Corporation operates the following programs in 18 Alaskan communities:

Program	**Number of Units**
Low Rent Conventional Housing	997
Low Rent Conventional Housing – Senior Units	343
Section 8 New Construction Housing	59
Section 8 New Construction Housing – Senior Units	268
Other Housing Units	32
Section 8 Existing – Housing Assistance:	
Housing Choice Vouchers	4,089
Single Room Occupancy	70
	5,858

19 PENSION PLAN

As of June 30, 2005, 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 rate during FY 2005 was 11.14% of annual covered payroll.

Annual Pension Cost

The Corporation's annual pension and postretirement health cost shown in the following table was equal to the required and actual contribution. The actuarial required contribution was computed as part of an actuarial valuation as of June 30, 2003. 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 ten years of employment, with distinction made between amounts for inflation (3.5%), merit (1.5%), 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, 2005	$ 1,780	100.00%	$ -
June 30, 2004	$ 980	100.00%	$ -
June 30, 2003	1,027	100.00%	-

20 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 $1,077,000 and $1,358,000 as of June 30, 2005 and June 30, 2004, respectively.

Litigation

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

Contingent Liabilities

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

21 SPECIAL ITEM

On December 1, 2004, the Corporation sold its Aurora Military Loan, with a principal balance of $47,468,000, for $51,403,000 and paid $90,000 in subsequent expenses related to the sale, resulting in a special item gain of $3,845,000.

On June 1, 2004, the Corporation called $6,110,000 of Collateralized Bonds, 1993 First Series, at a premium of $56,000 on the early optional redemptions. The call premium, write-off of the cost of issuance and unamortized discount on bonds of $259,000 and $316,000, respectively, totals the special item amount of $631,000 for this bond fund.

On June 1, 2004, the Corporation called $138,435,000 of Government Housing Purpose Bonds, 1994 Series A, at a premium of $1,748,000 on the early optional redemptions. The call premium, write-off of the cost of issuance and unamortized discount on bonds of $932,000 and $1,597,000, respectively, totals the special item amount of $4,277,000 for this bond fund.

On March 5, 2004 and April 1, 2004 the Corporation called $40,495,000 Housing Development Bonds at a premium of $1,620,000 on the early optional redemptions. The call premium and write-off of the cost of issuance of $923,000 totals the special item amount of $2,543,000 for this bond fund.

22 SUMMARIZED BALANCE SHEET

Entity-wide balance sheet information in an unclassified format is presented below for informational purposes (in thousands):

	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002
ASSETS				
Cash	$ 9,769	$ 7,939	$ 21,215	$ 9,508
Investments	1,219,415	1,143,547	1,518,997	1,587,877
Accrued interest receivable	20,762	19,897	22,349	25,015
Mortgage loans, notes and other loans	3,325,182	3,355,300	3,312,511	3,373,640
Net investment in direct financing lease	32,843	34,547	36,165	37,697
Unamortized bond issuance costs	25,135	26,404	29,024	28,105
Capital assets, net	116,073	110,813	105,065	99,040
Other assets	13,754	10,033	10,185	21,272
Total Assets	$ 4,762,933	4,708,480	$ 5,055,511	$ 5,182,154
LIABILITIES AND FUND EQUITY				
Liabilities:				
Bonds and notes payable	$ 2,898,730	$ 2,890,879	$ 3,110,941	$ 3,267,553
Short term debt	138,375	70,145	149,995	108,541
Accrued interest payable	14,147	14,562	15,627	14,253
Other liabilities	28,608	26,435	41,382	25,997
Total Liabilities	3,079,860	3,002,021	3,317,945	3,416,344
Total Fund Equity	1,683,073	1,706,459	1,737,566	1,765,810
Total Liabilities and Fund Equity	$ 4,762,933	$ 4,708,480	$ 5,055,511	$ 5,182,154

23 STATEMENT OF ACTIVITY

Entity-wide revenues, expenses, and changes in net assets are presented below for informational purposes (in thousands):

	Year Ended June 30, 2005	Year Ended June 30, 2004	Year Ended June 30, 2003	Year Ended June 30, 2002
OPERATING REVENUES				
Mortgage and loans revenue	$ 201,386	$ 206,300	$ 220,393	$ 222,446
Investment interest	43,162	46,358	57,013	71,115
Net change in the fair value of investments	(1,653)	(9,554)	9,877	111
Total Investment Revenue	41,509	36,804	66,890	71,226
Externally funded programs	57,877	56,084	53,702	46,283
Rental	6,183	6,109	6,812	7,034
Other	2,252	743	644	2,241
Total Operating Revenues	309,207	306,040	348,441	349,230
OPERATING EXPENSES				
Interest	141,161	151,165	172,939	174,582
Mortgage and loan costs	13,130	13,059	12,894	12,933
Operations and administration	35,530	36,240	35,339	32,393
Financing expenses	11,941	6,168	10,496	2,197
Provision for loan loss	(103)	(1,861)	(12,232)	2,690
Housing grants and subsidies	56,506	48,640	52,023	39,520
Rental housing operating expenses	10,985	10,149	9,905	9,255
Total Operating Expenses	269,150	263,560	281,364	273,570
Operating Income	40,057	42,480	67,077	75,660
NONOPERATING EXPENSES AND SPECIAL ITEM				
Contributions to the State of Alaska or other State agencies	(67,288)	(66,136)	(95,321)	(85,562)
Special Item	3,845	(7,451)	-	2,035
Change in Net Assets	$ (23,386)	$ (31,107)	$ (28,244)	$ (7,867)

Schedule of Funding Progress for PERS (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess or (Unfunded) AAL (a) – (b)	Funded Ratio (a) / (b)	Covered Payroll (c)	Excess or (Unfunded) AAL as a Percentage of Covered Payroll ((a) – (b)) / (c)
Pension:						
June 30, 2003	$ 34,407	$ 43,271	$ (8,864)	80%	$ 14,987	(59%)
June 30, 2002	30,857	40,980	(10,123)	75%	14,119	(72%)
June 30, 2001	35,962	26,272	9,690	137%	13,636	71%
Postretirement Health:						
June 30, 2003	22,997	28,921	(5,924)	80%	14,987	(40%)
June 30, 2002	18,748	24,899	(6,151)	75%	14,119	(44%)
June 30, 2001	15,227	11,124	4,103	137%	13,636	30%

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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, 2005

(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	2,463	1,284	496	2,391	986
Investments	457,064	37,150	12,951	108,827	50,547
Accrued interest receivable	3,769	3,346	1,324	9,012	3,311
Mortgage loans, notes and other loans	14,706	15,709	5,608	33,221	14,120
Net investment in direct financing lease	-	-	-	-	1,799
Other assets	935	38	-	212	216
Intergovernmental receivable	5	-	-	-	-
Total Current	478,942	57,527	20,379	153,663	70,979
Non Current					
Investments	-	12,062	14,595	361,356	131,611
Mortgage loans, notes and other loans, net of allowance	608,750	629,925	230,280	1,228,845	544,018
Net investment in direct financing lease	-	-	-	-	31,044
Unamortized bond issuance costs	-	5,895	2,465	10,714	6,061
Capital assets - non-depreciable	148	-	-	-	-
Capital assets - depreciable, net	301	-	-	-	-
Other assets	1,633	-	-	-	-
Total Non Current	610,832	647,882	247,340	1,600,915	712,734
Total Assets	1,089,774	705,409	267,719	1,754,578	783,713
Liabilities					
Current					
Bonds and notes payable	-	5,900	2,420	16,325	66,305
Short-term debt	138,375	-	-	-	-
Accrued interest payable	673	2,575	832	5,738	4,289
Other liabilities	4,999	2,640	1,008	4,915	2,069
Intergovernmental payable	-	-	-	-	2,595
Total Current	144,047	11,115	4,260	26,978	75,258
Non Current					
Bonds and notes payable	-	606,229	170,052	1,422,351	608,594
Other liabilities	816	-	-	4,311	739
Total Non Current	816	606,229	170,052	1,426,662	609,333
Total Liabilities	144,863	617,344	174,312	1,453,640	684,591
Net Assets					
Invested in capital assets, net of related debt	449	-	-	-	-
Restricted by bond resolutions	-	88,065	93,407	297,745	109,853
Restricted by contractual or statutory agreements	95,600	-	-	20,794	-
Unrestricted net assets, (deficit)	848,862	-	-	(17,601)	(10,731)
Total Net Assets (deficit)	944,911	88,065	93,407	300,938	99,122

Combined Other Programs	Combined Total
2,149	9,769
32,914	699,453
-	20,762
-	83,364
-	1,799
9,963	11,364
710	715
45,736	827,226
338	519,962
-	3,241,818
-	31,044
-	25,135
40,543	40,691
75,081	75,382
42	1,675
116,004	3,935,707
161,740	4,762,933
27	90,977
-	138,375
40	14,147
3,633	19,264
412	3,007
4,112	265,770
527	2,807,753
471	6,337
998	2,814,090
5,110	3,079,860
115,070	115,519
-	589,070
41,560	157,954
-	820,530
156,630	1,683,073

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ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

REVOLVING FUNDS

As of June 30, 2005

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Housing Assistance Loan Fund	Combined Total
Assets				
Current				
Cash	2,202	261	-	2,463
Investments	447,556	9,508	-	457,064
Accrued interest receivable	3,768	1	-	3,769
Mortgage loans, notes and other loans	14,700	6	-	14,706
Other assets	935	-	-	935
Intergovernmental receivable	5	-	-	5
Total Current	469,166	9,776	-	478,942
Non Current				
Mortgage loans, notes and other loans, net of allowance	608,626	124	-	608,750
Capital assets - non-depreciable	148	-	-	148
Capital assets - depreciable, net	301	-	-	301
Other assets	1,633	-	-	1,633
Total Non Current	610,708	124	-	610,832
Total Assets	1,079,874	9,900	-	1,089,774
Liabilities				
Current				
Short-term debt	138,375	-	-	138,375
Accrued interest payable	673	-	-	673
Other liabilities	4,958	41	-	4,999
Total Current	144,006	41	-	144,047
Non Current				
Other liabilities	816	-	-	816
Total Non Current	816	-	-	816
Total Liabilities	144,822	41	-	144,863
Net Assets				
Invested in capital assets, net of related debt	449	-	-	449
Restricted by contractual or statutory agreements	85,741	9,859	-	95,600
Unrestricted net assets, (deficit)	848,862	-	-	848,862
Total Net Assets (deficit)	935,052	9,859	-	944,911

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

FIRST TIME HOMEBUYER BONDS

As of June 30, 2005

(in thousands of dollars)

	Mortgage Revenue Bonds 1996 A	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D
Assets					
Current					
Cash	-	151	56	275	136
Investments	-	4,503	2,360	9,766	5,472
Accrued interest receivable	-	418	210	808	408
Mortgage loans, notes and other loans	-	1,971	1,006	3,684	3,228
Other assets	-	-	-	-	-
Total Current	-	7,043	3,632	14,533	9,244
Non Current					
Investments	-	3,421	901	-	419
Mortgage loans, notes and other loans, net of allowance	-	76,589	38,960	140,869	76,050
Unamortized bond issuance costs	-	944	578	1,284	1,183
Total Non Current	-	80,954	40,439	142,153	77,652
Total Assets	-	87,997	44,071	156,686	86,896
Liabilities					
Current					
Bonds and notes payable	-	1,735	430	2,535	480
Accrued interest payable	-	218	158	657	404
Other liabilities	-	314	119	578	274
Total Current	-	2,267	707	3,770	1,158
Non Current					
Bonds and notes payable	-	63,876	36,335	130,420	80,504
Total Non Current	-	63,876	36,335	130,420	80,504
Total Liabilities	-	66,143	37,042	134,190	81,662
Net Assets					
Restricted by bond resolutions	-	21,854	7,029	22,496	5,234
Total Net Assets (deficit)	-	21,854	7,029	22,496	5,234

Mortgage Revenue Bonds 2001 A,B	Home Mortgage Revenue Bonds 2002 A, B	Combined Total
232	434	1,284
6,032	9,017	37,150
510	992	3,346
2,154	3,666	15,709
-	38	38
8,928	14,147	57,527
1,968	5,353	12,062
96,655	200,802	629,925
999	907	5,895
99,622	207,062	647,882
108,550	221,209	705,409
720	-	5,900
438	700	2,575
466	889	2,640
1,624	1,589	11,115
100,839	194,255	606,229
100,839	194,255	606,229
102,463	195,844	617,344
6,087	25,365	88,065
6,087	25,365	88,065

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, 2005

(in thousands of dollars)

	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
Assets					
Current					
Cash	-	-	118	104	125
Investments	-	-	1,471	1,922	4,563
Accrued interest receivable	-	-	269	188	419
Mortgage loans, notes and other loans	-	-	1,246	843	1,752
Other assets	-	-	-	-	-
Total Current	-	-	3,104	3,057	6,859
Non Current					
Investments	-	-	4,160	2,477	3,910
Mortgage loans, notes and other loans, net of allowance	-	-	49,809	34,152	69,599
Unamortized bond issuance costs	-	-	551	339	857
Total Non Current	-	-	54,520	36,968	74,366
Total Assets	-	-	57,624	40,025	81,225
Liabilities					
Current					
Bonds and notes payable	-	-	200	385	830
Accrued interest payable	-	-	93	121	297
Other liabilities	-	-	233	209	263
Total Current	-	-	526	715	1,390
Non Current					
Bonds and notes payable	-	-	19,920	26,742	58,280
Total Non Current	-	-	19,920	26,742	58,280
Total Liabilities	-	-	20,446	27,457	59,670
Net Assets					
Restricted by bond resolutions	-	-	37,178	12,568	21,555
Total Net Assets (deficit)	-	-	37,178	12,568	21,555

Collateralized Bonds 2000 First Series	Collateralized Bonds 2002 First Series	Combined Total
65	84	496
2,636	2,359	12,951
248	200	1,324
1,040	727	5,608
-	-	-
3,989	3,370	20,379
2,088	1,960	14,595
39,370	37,350	230,280
479	239	2,465
41,937	39,549	247,340
45,926	42,919	267,719
490	515	2,420
172	149	832
135	168	1,008
797	832	4,260
32,655	32,455	170,052
32,655	32,455	170,052
33,452	33,287	174,312
12,474	9,632	93,407
12,474	9,632	93,407

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

OTHER HOUSING BONDS

As of June 30, 2005

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Assets					
Current					
Cash	-	344	588	649	244
Investments	20,793	25,727	19,880	16,524	7,151
Accrued interest receivable	1	3,300	1,552	1,416	603
Mortgage loans, notes and other loans	-	5,631	5,552	8,735	2,394
Other assets	-	97	57	18	-
Total Current	20,794	35,099	27,629	27,342	10,392
Non Current					
Investments	-	122,551	70,580	49,641	1,655
Mortgage loans, notes and other loans, net of allowance	-	246,166	230,704	304,139	140,071
Unamortized bond issuance costs	-	3,889	2,028	1,773	1,253
Total Non Current	-	372,606	303,312	355,553	142,979
Total Assets	20,794	407,705	330,941	382,895	153,371
Liabilities					
Current					
Bonds and notes payable	-	6,095	2,775	1,700	-
Accrued interest payable	-	1,592	1,285	1,231	596
Other liabilities	-	693	1,192	1,342	508
Total Current	-	8,380	5,252	4,273	1,104
Non Current					
Bonds and notes payable	-	416,926	274,457	244,677	149,311
Other liabilities	-	-	4,311	-	-
Total Non Current	-	416,926	278,768	244,677	149,311
Total Liabilities	-	425,306	284,020	248,950	150,415
Net Assets					
Restricted by bond resolutions	-	-	46,921	133,945	2,956
Restricted by contractual or statutory agreements	20,794	-	-	-	-
Unrestricted net assets, (deficit)	-	(17,601)	-	-	-
Total Net Assets (deficit)	20,794	(17,601)	46,921	133,945	2,956

Governmental Purpose Bonds 1995 A	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
-	-	566	2,391
-	721	18,031	108,827
-	251	1,889	9,012
-	1,156	9,753	33,221
-	-	40	212
-	2,128	30,279	153,663
-	686	116,243	361,356
-	25,458	282,307	1,228,845
-	225	1,546	10,714
-	26,369	400,096	1,600,915
-	28,497	430,375	1,754,578
-	-	5,755	16,325
-	52	982	5,738
-	-	1,180	4,915
-	52	7,917	26,978
-	26,700	310,280	1,422,351
-	-	-	4,311
-	26,700	310,280	1,426,662
-	26,752	318,197	1,453,640
-	1,745	112,178	297,745
-	-	-	20,794
-	-	-	(17,601)
-	1,745	112,178	300,938

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF NET ASSETS

NON HOUSING BONDS

As of June 30, 2005

(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Projects Bonds 2002 A,B,C	State Building Lease Bonds 1999
Assets					
Current					
Cash	33	19	69	69	-
Investments	662	5,660	4,875	8,029	2,600
Accrued interest receivable	78	87	224	630	-
Mortgage loans, notes and other loans	775	211	1,144	843	-
Net investment in direct financing lease	-	-	-	-	1,799
Other assets	-	-	28	132	-
Total Current	1,548	5,977	6,340	9,703	4,399
Non Current					
Investments	-	-	-	50,886	-
Mortgage loans, notes and other loans, net of allowance	11,578	7,086	39,256	35,914	-
Net investment in direct financing lease	-	-	-	-	31,044
Unamortized bond issuance costs	493	540	459	713	186
Total Non Current	12,071	7,626	39,715	87,513	31,230
Total Assets	13,619	13,603	46,055	97,216	35,629
Liabilities					
Current					
Bonds and notes payable	7,665	13,185	26,690	3,335	1,895
Accrued interest payable	32	59	187	2,153	181
Other liabilities	68	38	148	148	-
Intergovernmental payable	-	-	-	-	2,595
Total Current	7,765	13,282	27,025	5,636	4,671
Non Current					
Bonds and notes payable	859	805	20,802	99,286	12,196
Other liabilities	-	-	400	-	339
Total Non Current	859	805	21,202	99,286	12,535
Total Liabilities	8,624	14,087	48,227	104,922	17,206
Net Assets					
Restricted by bond resolutions	4,995	-	-	-	18,423
Unrestricted net assets, (deficit)	-	(484)	(2,172)	(7,706)	-
Total Net Assets (deficit)	4,995	(484)	(2,172)	(7,706)	18,423

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
22	251	181	342	986
6,070	9,142	7,618	5,891	50,547
119	570	981	622	3,311
389	3,675	2,924	4,159	14,120
-	-	-	-	1,799
-	30	-	26	216
6,600	13,668	11,704	11,040	70,979
3,546	13,934	57,971	5,274	131,611
13,460	125,020	146,860	164,844	544,018
-	-	-	-	31,044
434	723	1,208	1,305	6,061
17,440	139,677	206,039	171,423	712,734
24,040	153,345	217,743	182,463	783,713
4,635	5,165	495	3,240	66,305
120	301	593	663	4,289
46	528	404	689	2,069
-	-	-	-	2,595
4,801	5,994	1,492	4,592	75,258
18,705	147,720	148,854	159,367	608,594
-	-	-	-	739
18,705	147,720	148,854	159,367	609,333
23,506	153,714	150,346	163,959	684,591
534	-	67,397	18,504	109,853
-	(369)	-	-	(10,731)
534	(369)	67,397	18,504	99,122

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF NET ASSETS
OTHER PROGRAM FUNDS
As of June 30, 2005
(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Assets				
Current				
Cash	-	599	524	924
Investments	1,428	11,542	19,573	-
Accrued interest receivable	-	-	-	-
Other assets	981	927	14	64
Intergovernmental receivable	339	-	-	-
Total Current	2,748	13,068	20,111	988
Non Current				
Investments	-	-	-	-
Capital assets - non-depreciable	-	32,796	7,747	-
Capital assets - depreciable, net	-	63,209	11,821	40
Other assets	-	31	5	6
Total Non Current	-	96,036	19,573	46
Total Assets	2,748	109,104	39,684	1,034
Liabilities				
Current				
Bonds and notes payable	-	-	27	-
Accrued interest payable	-	-	40	-
Other liabilities	19	2,446	505	368
Intergovernmental payable	-	-	-	-
Total Current	19	2,446	572	368
Non Current				
Bonds and notes payable	-	-	527	-
Other liabilities	7	291	73	82
Total Non Current	7	291	600	82
Total Liabilities	26	2,737	1,172	450
Net Assets				
Invested in capital assets, net of related debt	-	96,005	19,014	40
Restricted by contractual or statutory agreements	2,722	10,362	19,498	544
Total Net Assets (deficit)	2,722	106,367	38,512	584

Other Programs	Combined Total
102	2,149
371	32,914
-	-
7,977	9,963
371	710
8,821	45,736
338	338
-	40,543
11	75,081
-	42
349	116,004
9,170	161,740
-	27
-	40
295	3,633
412	412
707	4,112
-	527
18	471
18	998
725	5,110
11	115,070
8,434	41,560
8,445	156,630

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, 2005

(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	41,844	41,405	18,425	85,724	13,988
Investment interest	9,629	2,741	1,545	22,389	6,387
Net change in the fair value of investments	(1,319)	9	3	230	(828)
Total Investment Revenue	8,310	2,750	1,548	22,619	5,559
Externally funded programs	-	-	-	-	-
Rental	-	-	-	-	-
Other	650	39	-	42	20
Total Operating Revenues	50,804	44,194	19,973	108,385	19,567
Operating Expenses					
Interest	1,959	34,043	12,165	76,627	16,360
Mortgage and loan costs	3,087	2,683	1,151	4,864	1,345
Operations and administration	2,684	2,691	975	5,137	2,423
Financing expenses	1,138	1,851	1,123	2,344	5,485
Provision for loan loss	(1,161)	1,214	(879)	(7,068)	7,791
Housing grants and subsidies expenses	422	-	-	-	-
Rental housing operating expenses	2	-	-	-	-
Total Operating Expenses	8,131	42,482	14,535	81,904	33,404
Operating Income (Loss)	42,673	1,712	5,438	26,481	(13,837)
Nonoperating Expense Special Items & Transfers					
Contributions to the State of Alaska or other State agencies	(31,840)	-	-	(2,552)	(10,669)
Special items	3,845	-	-	-	-
Transfers - Internal	(277,943)	(33,734)	(26,562)	(129,131)	411,129
Change in Net Assets	(263,265)	(32,022)	(21,124)	(105,202)	386,623
Net Assets at beginning of year	1,208,176	120,087	114,531	406,140	(287,501)
Net Assets at End of Period	944,911	88,065	93,407	300,938	99,122

Combined Other Programs	Combined Total
-	201,386
471	43,162
252	(1,653)
723	41,509
57,877	57,877
6,183	6,183
1,501	2,252
66,284	309,207
7	141,161
-	13,130
21,620	35,530
-	11,941
-	(103)
56,084	56,506
10,983	10,985
88,694	269,150
(22,410)	40,057
(22,227)	(67,288)
-	3,845
56,241	-
11,604	(23,386)
145,026	1,706,459
156,630	1,683,073

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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, 2005

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Housing Assistance Loan Fund	Combined Total
Operating Revenues				
Mortgage and loans revenue	41,281	16	547	41,844
Investment interest	9,505	109	15	9,629
Net change in the fair value of investments	(1,409)	96	(6)	(1,319)
Total Investment Revenue	8,096	205	9	8,310
Other	650	-	-	650
Total Operating Revenues	50,027	221	556	50,804
Operating Expenses				
Interest	1,959	-	-	1,959
Mortgage and loan costs	3,039	1	47	3,087
Operations and administration	2,683	1	-	2,684
Financing expenses	1,149	(11)	-	1,138
Provision for loan loss	(1,161)	-	-	(1,161)
Housing grants and subsidies expenses	422	-	-	422
Rental housing operating expenses	2	-	-	2
Total Operating Expenses	8,093	(9)	47	8,131
Operating Income (Loss)	41,934	230	509	42,673
Nonoperating Expense Special Items & Transfers				
Contributions to the State of Alaska or other State agencies	(31,840)	-	-	(31,840)
Special items	3,845	-	-	3,845
Transfers - Internal	264,549	1	(542,493)	(277,943)
Change in Net Assets	278,488	231	(541,984)	(263,265)
Net Assets at beginning of year	656,564	9,628	541,984	1,208,176
Net Assets at End of Period	935,052	9,859	-	944,911

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, 2005

(in thousands of dollars)

	Mortgage Revenue Bonds 1996 A	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D
Operating Revenues					
Mortgage and loans revenue	2,105	5,055	2,457	9,333	4,735
Investment interest	389	570	199	741	292
Net change in the fair value of investments	(1)	1	-	3	-
Total Investment Revenue	388	571	199	744	292
Other	3	-	-	9	-
Total Operating Revenues	2,496	5,626	2,656	10,086	5,027
Operating Expenses					
Interest	981	4,022	1,981	8,214	5,168
Mortgage and loan costs	139	323	167	641	294
Operations and administration	-	326	165	602	329
Financing expenses	1,083	71	40	58	78
Provision for loan loss	(522)	487	173	556	(371)
Total Operating Expenses	1,681	5,229	2,526	10,071	5,498
Operating Income (Loss)	815	397	130	15	(471)
Nonoperating Expense Special Items & Transfers					
Transfers - Internal	(29,085)	180	229	(362)	311
Change in Net Assets	(28,270)	577	359	(347)	(160)
Net Assets at beginning of year	28,270	21,277	6,670	22,843	5,394
Net Assets at End of Period	-	21,854	7,029	22,496	5,234

Mortgage Revenue Bonds 2001 A,B	Home Mortgage Revenue Bonds 2002 A,B	Combined Total
6,131	11,589	41,405
218	332	2,741
1	5	9
219	337	2,750
10	17	39
6,360	11,943	44,194
5,382	8,295	34,043
402	717	2,683
414	855	2,691
53	468	1,851
418	473	1,214
6,669	10,808	42,482
(309)	1,135	1,712
506	(5,513)	(33,734)
197	(4,378)	(32,022)
5,890	29,743	120,087
6,087	25,365	88,065

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, 2005

(in thousands of dollars)

	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
Operating Revenues					
Mortgage and loans revenue	1,689	282	3,219	2,258	5,333
Investment interest	300	46	293	245	331
Net change in the fair value of investments	(1)	-	1	1	1
Total Investment Revenue	299	46	294	246	332
Total Operating Revenues	1,988	328	3,513	2,504	5,665
Operating Expenses					
Interest	1,153	81	1,333	1,582	3,872
Mortgage and loan costs	95	16	199	143	347
Operations and administration	-	-	211	144	295
Financing expenses	787	161	61	20	55
Provision for loan loss	(432)	(45)	87	13	(211)
Total Operating Expenses	1,603	213	1,891	1,902	4,358
Operating Income (Loss)	385	115	1,622	602	1,307
Nonoperating Expense Special Items & Transfers					
Transfers - Internal	(14,628)	(4,576)	(1,656)	(895)	(2,857)
Change in Net Assets	(14,243)	(4,461)	(34)	(293)	(1,550)
Net Assets at beginning of year	14,243	4,461	37,212	12,861	23,105
Net Assets at End of Period	-	-	37,178	12,568	21,555

Collateralized Bonds 2000 First Series	Collateralized Bonds 2002 First Series	Combined Total
3,122	2,522	18,425
244	86	1,545
-	1	3
244	87	1,548
3,366	2,609	19,973
2,273	1,871	12,165
194	157	1,151
167	158	975
30	9	1,123
(205)	(86)	(879)
2,459	2,109	14,535
907	500	5,438
(2,111)	161	(26,562)
(1,204)	661	(21,124)
13,678	8,971	114,531
12,474	9,632	93,407

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, 2005

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Operating Revenues					
Mortgage and loans revenue	-	20,540	15,537	16,465	7,675
Investment interest	244	3,095	5,641	1,702	252
Net change in the fair value of investments	215	4	2	9	1
Total Investment Revenue	459	3,099	5,643	1,711	253
Other	-	-	5	22	-
Total Operating Revenues	459	23,639	21,185	18,198	7,928
Operating Expenses					
Interest	-	16,205	18,791	15,036	7,176
Mortgage and loan costs	-	557	1,039	1,049	552
Operations and administration	-	1,129	976	1,129	588
Financing expenses	-	611	(208)	153	48
Provision for loan loss	-	(2,944)	(1,196)	(1,772)	292
Total Operating Expenses	-	15,558	19,402	15,595	8,656
Operating Income (Loss)	459	8,081	1,783	2,603	(728)
Nonoperating Expense Special Items & Transfers					
Contributions to the State of Alaska or other State agencies	-	(2,552)	-	-	-
Transfers - Internal	-	24,858	(29,406)	5,314	687
Change in Net Assets	459	30,387	(27,623)	7,917	(41)
Net Assets at beginning of year	20,335	(47,988)	74,544	126,028	2,997
Net Assets at End of Period	20,794	(17,601)	46,921	133,945	2,956

Governmental Purpose Bonds 1995 A	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
6,796	603	18,108	85,724
5,831	39	5,585	22,389
(7)	-	6	230
5,824	39	5,591	22,619
9	-	6	42
12,629	642	23,705	108,385
8,315	516	10,588	76,627
405	-	1,262	4,864
-	108	1,207	5,137
179	33	1,528	2,344
(1,373)	-	(75)	(7,068)
7,526	657	14,510	81,904
5,103	(15)	9,195	26,481
-	-	-	(2,552)
(133,685)	139	2,962	(129,131)
(128,582)	124	12,157	(105,202)
128,582	1,621	100,021	406,140
-	1,745	112,178	300,938

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

NON HOUSING BONDS

For the Year Ended June 30, 2005

(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Project Bonds 2002 A,B,C	State Building Lease Bonds 1999
Operating Revenues					
Mortgage and loans revenue	706	401	1,713	1,656	-
Investment interest	20	367	282	2,237	1,845
Net change in the fair value of investments	1	(115)	(78)	(600)	4
Total Investment Revenue	21	252	204	1,637	1,849
Other	-	-	-	8	-
Total Operating Revenues	727	653	1,917	3,301	1,849
Operating Expenses					
Interest	497	1,226	2,321	4,073	1,480
Mortgage and loan costs	47	28	241	138	-
Operations and administration	51	30	166	152	124
Financing expenses	95	3,924	430	273	28
Provision for loan loss	262	165	448	519	-
Total Operating Expenses	952	5,373	3,606	5,155	1,632
Operating Income (Loss)	(225)	(4,720)	(1,689)	(1,854)	217
Nonoperating Expense Special Items & Transfers					
Contributions to the State of Alaska or other State agencies	-	-	(4,623)	(36)	-
Transfers - Internal	28,409	23,853	51,970	24,072	16,307
Change in Net Assets	28,184	19,133	45,658	22,182	16,524
Net Assets at beginning of year	(23,189)	(19,617)	(47,830)	(29,888)	1,899
Net Assets at End of Period	4,995	(484)	(2,172)	(7,706)	18,423

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
668	5,111	3,207	526	13,988
544	362	725	5	6,387
1	(23)	(25)	7	(828)
545	339	700	12	5,559
-	12	-	-	20
1,213	5,462	3,907	538	19,567
1,542	2,902	2,393	(74)	16,360
54	489	317	31	1,345
58	531	617	694	2,423
29	548	92	66	5,485
172	1,902	2,356	1,967	7,791
1,855	6,372	5,775	2,684	33,404
(642)	(910)	(1,868)	(2,146)	(13,837)
-	(3,354)	(2,656)	-	(10,669)
21,752	152,195	71,921	20,650	411,129
21,110	147,931	67,397	18,504	386,623
(20,576)	(148,300)	-	-	(287,501)
534	(369)	67,397	18,504	99,122

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, 2005

(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Operating Revenues				
Investment interest	21	165	275	1
Net change in the fair value of investments	10	88	149	-
Total Investment Revenue	31	253	424	1
Externally funded programs	2,697	10,006	2,268	29,194
Rental	-	4,917	1,256	-
Other	-	1,228	-	-
Total Operating Revenues	2,728	16,404	3,948	29,195
Operating Expenses				
Interest	-	-	7	-
Operations and administration	239	13,988	3,200	3,312
Housing grants and subsidies expenses	5,977	-	6	26,156
Rental housing operating expenses	-	9,270	1,582	91
Total Operating Expenses	6,216	23,258	4,795	29,559
Operating Income (Loss)	(3,488)	(6,854)	(847)	(364)
Nonoperating Expense Special Items & Transfers				
Contributions to the State of Alaska or other State agencies	-	-	-	-
Transfers - Internal	3,287	12,115	2,181	(304)
Change in Net Assets	(201)	5,261	1,334	(668)
Net Assets at beginning of year	2,923	101,106	37,178	1,252
Net Assets at End of Period	2,722	106,367	38,512	584

Other Programs	Combined Total
9	471
5	252
14	723
13,712	57,877
10	6,183
273	1,501
14,009	66,284
-	7
881	21,620
23,945	56,084
40	10,983
24,866	88,694
(10,857)	(22,410)
(22,227)	(22,227)
38,962	56,241
5,878	11,604
2,567	145,026
8,445	156,630

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
COMBINED - ALL FUNDS
For the Year Ended June 30, 2005
(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
Cash flows from operating activities:					
Interest income on mortgages and loans	38,814	42,682	18,700	87,380	14,353
Principal payments received on mortgages and loans	56,455	140,138	58,901	261,149	25,602
Purchases of mortgages and loans	(567,521)	-	-	-	-
Receipt (payment) for loan transfers between funds	357,672	(145,720)	(18,792)	(193,160)	-
Payments to employees and other payroll disbursements	(25,535)	-	-	-	-
Payments for goods and services	(49,381)	-	-	(102)	(37)
Cash received for externally funded programs	237	-	-	-	-
Cash received for Federal HAP subsidies	-	-	-	-	-
Payments for Federal HAP subsidies	-	-	-	-	-
Other operating cash receipts	55,210	39	-	41	1,108
Other operating cash payments	(6,409)	-	-	-	(601)
Net cash provided by (used for) operating activities	(140,458)	37,139	58,809	155,308	40,425
Cash flows from noncapital financing activities:					
Proceeds from the issuance of bonds	-	-	-	105,000	300,993
Principal paid on bonds	-	(53,036)	(46,125)	(80,745)	(60,460)
Payment to defease bonds	-	-	-	-	(173,820)
Payment of bond issuance costs	(1,509)	-	-	-	(2,009)
Interest paid	(1,668)	(37,778)	(12,382)	(75,319)	(15,939)
Proceeds from issuance of short term debt	828,416	-	-	-	-
Payment of short term debt	(760,477)	-	-	-	-
Contributions to the State of Alaska or other State agencies	(52,606)	-	-	(2,553)	(10,669)
Transfers (to) from other funds	223,701	(1,240)	2,003	(138,184)	(56,628)
Other cash payments	-	-	(130)	-	-
Net cash provided by (used for) noncapital financing activities	235,857	(92,054)	(56,634)	(191,801)	(18,532)
Cash flows from capital financing activities:					
Acquisition of capital assets	(11,055)	-	-	-	-
Proceeds from the disposal of capital assets	255	-	-	-	-
Proceeds from the issuance of capital notes	-	-	-	-	24,000
Principal paid on capital notes	(26)	-	-	-	(1,080)
Payment of bond issuance costs	(34)	-	-	-	(166)
Interest paid on capital notes	(2)	-	-	-	(1,031)
Net cash provided by (used for) capital financing activities	(10,862)	-	-	-	21,723
Cash flows from investing activities:					
Purchase of investments	(4,556,883)	(501,694)	(239,848)	(1,789,264)	(586,593)
Proceeds from maturity of investments	4,463,505	554,068	236,033	1,805,215	539,536
Interest received from investments	9,460	2,883	1,604	21,210	4,427
Net cash provided by (used for) investing activities	(83,918)	55,257	(2,211)	37,161	(42,630)
Net Increase (decrease) in cash	619	342	(36)	668	986
Cash at the beginning of year	1,844	942	532	1,723	-
Cash at the end of period	2,463	1,284	496	2,391	986
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	42,673	1,712	5,438	26,481	(13,837)
Adjustments:					
Depreciation expense	96	-	-	-	-
Provision for loan losses	(1,161)	1,214	(879)	(7,068)	7,791
Amortization of bond issuance costs	-	1,018	976	408	323
Net change in the fair value of investments	1,319	(9)	(3)	(230)	828
Transfers between funds for operating activity	(104,913)	2,869	1,140	5,754	6,696
Interest received from investments	(9,460)	(2,883)	(1,604)	(21,210)	(4,427)
Interest paid	1,670	37,778	12,382	75,319	16,970
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	(105,926)	(5,582)	40,109	67,989	25,602
Net increase (decrease) in assets and liabilities	35,244	1,022	1,250	7,865	479
Net cash provided by (used for) operating activities	(140,458)	37,139	58,809	155,308	40,425

Combined Other Programs	Combined Total
-	201,929
-	542,245
-	(567,521)
-	-
-	(25,535)
-	(49,520)
22,374	22,611
32,908	32,908
(32,916)	(32,916)
6,563	62,961
(2)	(7,012)
28,927	180,150
-	405,993
-	(240,366)
-	(173,820)
-	(3,518)
-	(143,086)
-	828,416
-	(760,477)
-	(65,828)
(29,652)	-
-	(130)
(29,652)	(152,816)
-	(11,055)
484	739
-	24,000
-	(1,106)
-	(200)
-	(1,033)
484	11,345
(77,711)	(7,751,993)
76,721	7,675,078
482	40,066
(508)	(36,849)
(749)	1,830
2,898	7,939
2,149	9,769
(22,410)	40,057
4,976	5,072
-	(103)
-	2,725
(252)	1,653
88,454	-
(482)	(40,066)
-	144,119
-	22,192
(41,359)	4,501
28,927	180,150

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ALASKA HOUSING FINANCE CORPORATION ***Schedule 16***

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

REVOLVING FUNDS

For the Year Ended June 30, 2005

(in thousands of dollars)

	Administrative Fund	Home Ownership Fund	Housing Assistance Loan Fund	Combined Total
Cash flows from operating activities:				
Interest income on mortgages and loans	38,769	19	26	38,814
Principal payments received on mortgages and loans	48,315	71	8,069	56,455
Purchases of mortgages and loans	(567,521)	-	-	(567,521)
Receipt (payment) for loan transfers between funds	357,672	-	-	357,672
Payments to employees and other payroll disbursements	(25,535)	-	-	(25,535)
Payments for goods and services	(49,377)	(4)	-	(49,381)
Cash received for externally funded programs	237	-	-	237
Other operating cash receipts	55,184	26	-	55,210
Other operating cash payments	(6,399)	(10)	-	(6,409)
Net cash provided by (used for) operating activities	(148,655)	102	8,095	(140,458)
Cash flows from noncapital financing activities:				
Payment of bond issuance costs	(1,509)	-	-	(1,509)
Interest paid	(1,668)	-	-	(1,668)
Proceeds from issuance of short term debt	828,416	-	-	828,416
Payment of short term debt	(760,477)	-	-	(760,477)
Contributions to the State of Alaska or other State agencies	(52,606)	-	-	(52,606)
Transfers (to) from other funds	232,748	-	(9,047)	223,701
Net cash provided by (used for) noncapital financing activities	244,904	-	(9,047)	235,857
Cash flows from capital financing activities:				
Acquisition of capital assets	(11,055)	-	-	(11,055)
Proceeds from the disposal of capital assets	255	-	-	255
Principal paid on capital notes	(26)	-	-	(26)
Payment of bond issuance costs	(34)	-	-	(34)
Interest paid on capital notes	(2)	-	-	(2)
Net cash provided by (used for) capital financing activities	(10,862)	-	-	(10,862)
Cash flows from investing activities:				
Purchase of investments	(4,520,876)	(35,951)	(56)	(4,556,883)
Proceeds from maturity of investments	4,427,212	35,765	528	4,463,505
Interest received from investments	9,336	108	16	9,460
Net cash provided by (used for) investing activities	(84,328)	(78)	488	(83,918)
Net Increase (decrease) in cash	1,059	24	(464)	619
Cash at the beginning of year	1,143	237	464	1,844
Cash at the end of period	2,202	261	-	2,463
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	41,934	230	509	42,673
Adjustments:				
Depreciation expense	96	-	-	96
Provision for loan losses	(1,161)	-	-	(1,161)
Net change in the fair value of investments	1,409	(96)	6	1,319
Transfers between funds for operating activity	(104,910)	1	(4)	(104,913)
Interest received from investments	(9,336)	(108)	(16)	(9,460)
Interest paid	1,670	-	-	1,670
Changes in assets and liabilities:				
Net increase (decrease) in mortgages and loans	(114,066)	71	8,069	(105,926)
Net increase (decrease) in assets and liabilities	35,709	4	(469)	35,244
Net cash provided by (used for) operating activities	(148,655)	102	8,095	(140,458)

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

FIRST TIME HOMEBUYER BONDS

For the Year Ended June 30, 2005

(in thousands of dollars)

	Mortgage Revenue Bonds 1996 A	Mortgage Revenue Bonds 1997 A	Mortgage Revenue Bonds 1998 A	Mortgage Revenue Bonds 1999 A	Mortgage Revenue Bonds 2000 A-D
Cash flows from operating activities:					
Interest income on mortgages and loans	2,084	5,206	2,530	9,642	4,916
Principal payments received on mortgages and loans	9,309	16,602	7,430	29,985	19,448
Receipt (payment) for loan transfers between funds	(562)	(18,469)	(8,564)	(32,966)	(24,185)
Other operating cash receipts	3	-	-	9	-
Net cash provided by (used for) operating activities	10,834	3,339	1,396	6,670	179
Cash flows from noncapital financing activities:					
Principal paid on bonds	(17,226)	(11,220)	(2,915)	(10,375)	(6,830)
Interest paid	(5,648)	(3,025)	(1,993)	(8,259)	(5,181)
Transfers (to) from other funds	4,771	440	241	(136)	260
Net cash provided by (used for) noncapital financing activities	(18,103)	(13,805)	(4,667)	(18,770)	(11,751)
Cash flows from investing activities:					
Purchase of investments	(30,776)	(50,724)	(23,623)	(84,974)	(59,925)
Proceeds from maturity of investments	37,534	60,597	26,676	96,362	71,226
Interest received from investments	417	615	213	796	296
Net cash provided by (used for) investing activities	7,175	10,488	3,266	12,184	11,597
Net Increase (decrease) in cash	(94)	22	(5)	84	25
Cash at the beginning of year	94	129	61	191	111
Cash at the end of period	-	151	56	275	136
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	815	397	130	15	(471)
Adjustments:					
Provision for loan losses	(522)	487	173	556	(371)
Amortization of bond issuance costs	741	60	38	50	71
Net change in the fair value of investments	1	(1)	-	(3)	-
Transfers between funds for operating activity	9	335	170	621	337
Interest received from investments	(417)	(615)	(213)	(796)	(296)
Interest paid	5,648	3,025	1,993	8,259	5,181
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	8,747	(1,867)	(1,134)	(2,981)	(4,737)
Net increase (decrease) in assets and liabilities	(4,188)	1,518	239	949	465
Net cash provided by (used for) operating activities	10,834	3,339	1,396	6,670	179

Mortgage Revenue Bonds 2001 A,B	Home Mortgage Revenue Bonds 2002 A,B	Combined Total
6,344	11,960	42,682
19,578	37,786	140,138
(24,740)	(36,234)	(145,720)
10	17	39
1,192	13,529	37,139
(4,470)	-	(53,036)
(5,405)	(8,267)	(37,778)
(22)	(6,794)	(1,240)
(9,897)	(15,061)	(92,054)
(78,940)	(172,732)	(501,694)
87,547	174,126	554,068
216	330	2,883
8,823	1,724	55,257
118	192	342
114	242	942
232	434	1,284
(309)	1,135	1,712
418	473	1,214
41	17	1,018
(1)	(5)	(9)
432	965	2,869
(216)	(330)	(2,883)
5,405	8,267	37,778
(5,162)	1,552	(5,582)
584	1,455	1,022
1,192	13,529	37,139

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
VETERANS MORTGAGE PROGRAM BONDS - STATE GUARANTEED
For the Year Ended June 30, 2005
(in thousands of dollars)

	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
Cash flows from operating activities:					
Interest income on mortgages and loans	1,655	273	3,310	2,329	5,423
Principal payments received on mortgages and loans	8,551	1,170	11,357	7,223	14,612
Receipt (payment) for loan transfers between funds	-	-	(8,275)	(5,865)	(637)
Net cash provided by (used for) operating activities	10,206	1,443	6,392	3,687	19,398
Cash flows from noncapital financing activities:					
Principal paid on bonds	(22,705)	(1,900)	(4,305)	(2,545)	(7,145)
Interest paid	(1,277)	(79)	(1,353)	(1,584)	(3,908)
Transfers (to) from other funds	9,006	(83)	(1,539)	(1,101)	(3,165)
Other cash payments	(126)	(4)	-	-	-
Net cash provided by (used for) noncapital financing activities	(15,102)	(2,066)	(7,197)	(5,230)	(14,218)
Cash flows from investing activities:					
Purchase of investments	(31,545)	(4,105)	(51,013)	(26,431)	(51,571)
Proceeds from maturity of investments	36,052	4,661	51,530	27,760	46,095
Interest received from investments	314	49	295	250	335
Net cash provided by (used for) investing activities	4,821	605	812	1,579	(5,141)
Net Increase (decrease) in cash	(75)	(18)	7	36	39
Cash at the beginning of year	75	18	111	68	86
Cash at the end of period	-	-	118	104	125
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	385	115	1,622	602	1,307
Adjustments:					
Provision for loan losses	(432)	(45)	87	13	(211)
Amortization of bond issuance costs	658	156	60	17	50
Net change in the fair value of investments	1	-	(1)	(1)	(1)
Transfers between funds for operating activity	129	5	216	150	305
Interest received from investments	(314)	(49)	(295)	(250)	(335)
Interest paid	1,277	79	1,353	1,584	3,908
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	8,551	1,170	3,082	1,358	13,975
Net increase (decrease) in assets and liabilities	(49)	12	268	214	400
Net cash provided by (used for) operating activities	10,206	1,443	6,392	3,687	19,398

Collateralized Bonds 2000 First Series	Collateralized Bonds 2002 First Series	Combined Total
3,156	2,554	18,700
9,015	6,973	58,901
(440)	(3,575)	(18,792)
11,731	5,952	58,809
(5,560)	(1,965)	(46,125)
(2,302)	(1,879)	(12,382)
(1,080)	(35)	2,003
-	-	(130)
(8,942)	(3,879)	(56,634)
(28,755)	(46,428)	(239,848)
25,665	44,270	236,033
279	82	1,604
(2,811)	(2,076)	(2,211)
(22)	(3)	(36)
87	87	532
65	84	496
907	500	5,438
(205)	(86)	(879)
28	7	976
-	(1)	(3)
173	162	1,140
(279)	(82)	(1,604)
2,302	1,879	12,382
8,575	3,398	40,109
230	175	1,250
11,731	5,952	58,809

ALASKA HOUSING FINANCE CORPORATION

(A Component Unit of the State of Alaska)

STATEMENT OF CASH FLOWS

OTHER HOUSING BONDS

For the Year Ended June 30, 2005

(in thousands of dollars)

	Senior Housing Bond Program	Housing Development Bonds	General Mortgage Revenue Bonds 1997 A	General Mortgage Revenue Bonds 1999 A	General Mortgage Revenue Bonds 2002 A
Cash flows from operating activities:					
Interest income on mortgages and loans	-	20,799	15,822	16,927	7,808
Principal payments received on mortgages and loans	-	51,422	46,440	57,056	21,789
Receipt (payment) for loan transfers between funds	-	(26,507)	-	(44,894)	(28,823)
Payments for goods and services	-	(102)	-	-	-
Other operating cash receipts	-	-	4	22	-
Net cash provided by (used for) operating activities	-	45,612	62,266	29,111	774
Cash flows from noncapital financing activities:					
Proceeds from the issuance of bonds	-	105,000	-	-	-
Principal paid on bonds	-	(24,355)	(45,145)	(1,660)	-
Interest paid	-	(15,603)	(18,014)	(14,849)	(7,152)
Contributions to the State of Alaska or other State agencies	-	(2,553)	-	-	-
Transfers (to) from other funds	-	5,566	(30,500)	-	-
Net cash provided by (used for) noncapital financing activities	-	68,055	(93,659)	(16,509)	(7,152)
Cash flows from investing activities:					
Purchase of investments	(81,326)	(456,572)	(225,764)	(332,597)	(144,405)
Proceeds from maturity of investments	81,082	341,572	251,775	318,692	150,553
Interest received from investments	244	1,439	5,627	1,636	247
Net cash provided by (used for) investing activities	-	(113,561)	31,638	(12,269)	6,395
Net Increase (decrease) in cash	-	106	245	333	17
Cash at the beginning of year	-	238	343	316	227
Cash at the end of period	-	344	588	649	244
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	459	8,081	1,783	2,603	(728)
Adjustments:					
Provision for loan losses	-	(2,944)	(1,196)	(1,772)	292
Amortization of bond issuance costs	-	131	56	52	44
Net change in the fair value of investments	(215)	(4)	(2)	(9)	(1)
Transfers between funds for operating activity	-	1,307	1,004	1,168	596
Interest received from investments	(244)	(1,439)	(5,627)	(1,636)	(247)
Interest paid	-	15,603	18,014	14,849	7,152
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	-	24,915	46,440	12,162	(7,034)
Net increase (decrease) in assets and liabilities	-	(38)	1,794	1,694	700
Net cash provided by (used for) operating activities	-	45,612	62,266	29,111	774

Governmental Purpose Bonds 1995 A	Governmental Purpose Bonds 1997 A	Governmental Purpose Bonds 2001 A-D	Combined Total
6,845	613	18,566	87,380
27,126	1,120	56,196	261,149
(62,867)	-	(30,069)	(193,160)
-	-	-	(102)
9	-	6	41
(28,887)	1,733	44,699	155,308
-	-	-	105,000
(2,610)	(1,500)	(5,475)	(80,745)
(8,869)	(489)	(10,343)	(75,319)
-	-	-	(2,553)
(113,250)	-	-	(138,184)
(124,729)	(1,989)	(15,818)	(191,801)
(248,454)	(20,586)	(279,560)	(1,789,264)
395,384	20,805	245,352	1,805,215
6,521	37	5,459	21,210
153,451	256	(28,749)	37,161
(165)	-	132	668
165	-	434	1,723
-	-	566	2,391
5,103	(15)	9,195	26,481
(1,373)	-	(75)	(7,068)
86	8	31	408
7	-	(6)	(230)
26	138	1,515	5,754
(6,521)	(37)	(5,459)	(21,210)
8,869	489	10,343	75,319
(35,741)	1,120	26,127	67,989
657	30	3,028	7,865
(28,887)	1,733	44,699	155,308

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
NON-HOUSING BONDS
For the Year Ended June 30, 2005
(in thousands of dollars)

	State Capital Project Bonds 1999 A	State Capital Project Bonds 1999 B	State Capital Project Bonds 2001 A	State Capital Project Bonds 2002 A,B,C	State Building Lease Bonds 1999
Cash flows from operating activities:					
Interest income on mortgages and loans	818	461	1,913	1,804	-
Principal payments received on mortgages and loans	2,158	1,219	3,993	3,162	-
Payments for goods and services	-	-	-	(37)	-
Other operating cash receipts	-	-	-	8	1,088
Other operating cash payments	-	-	-	-	(601)
Net cash provided by (used for) operating activities	2,976	1,680	5,906	4,937	487
Cash flows from noncapital financing activities:					
Proceeds from the issuance of bonds	-	-	-	-	-
Principal paid on bonds	(14,785)	(20,730)	(8,869)	(2,696)	(1,810)
Payment to defease bonds	-	-	-	-	-
Payment of bond issuance costs	-	-	-	-	-
Interest paid	(931)	(1,534)	(2,430)	(1,793)	(1,731)
Contributions to the State of Alaska or other State agencies	-	-	(4,623)	(36)	-
Transfers (to) from other funds	12,996	10,952	5,568	(20,172)	2,077
Net cash provided by (used for) noncapital financing activities	(2,720)	(11,312)	(10,354)	(24,697)	(1,464)
Cash flows from capital financing activities:					
Proceeds from the issuance of capital notes	-	-	-	-	-
Principal paid on capital notes	-	-	(566)	(514)	-
Payment of bond issuance costs	-	-	-	-	-
Interest paid on capital notes	-	-	(155)	(484)	-
Net cash provided by (used for) capital financing activities	-	-	(721)	(998)	-
Cash flows from investing activities:					
Purchase of investments	(6,209)	(23,290)	(18,184)	(106,140)	(4,388)
Proceeds from maturity of investments	5,966	32,509	23,080	124,574	5,363
Interest received from investments	20	432	342	2,393	2
Net cash provided by (used for) investing activities	(223)	9,651	5,238	20,827	977
Net Increase (decrease) in cash	33	19	69	69	-
Cash at the beginning of year	-	-	-	-	-
Cash at the end of period	33	19	69	69	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	(225)	(4,720)	(1,689)	(1,854)	217
Adjustments:					
Provision for loan losses	262	165	448	519	-
Amortization of bond issuance costs	93	64	17	21	23
Net change in the fair value of investments	(1)	115	78	600	(4)
Transfers between funds for operating activity	54	3,892	184	306	133
Interest received from investments	(20)	(432)	(342)	(2,393)	(2)
Interest paid	931	1,534	2,585	2,277	1,731
Changes in assets and liabilities:					
Net increase (decrease) in mortgages and loans	2,158	1,219	3,993	3,162	-
Net increase (decrease) in assets and liabilities	(276)	(157)	632	2,299	(1,611)
Net cash provided by (used for) operating activities	2,976	1,680	5,906	4,937	487

General Housing Purpose Bonds 1992 A	General Housing Purpose Bonds 2003 A & B	General Housing Purpose Bonds 2005 A	General Housing Purpose Bonds 2005 B & C	Combined Total
730	5,546	2,692	389	14,353
2,309	10,474	2,287	-	25,602
-	-	-	-	(37)
-	12	-	-	1,108
-	-	-	-	(601)
3,039	16,032	4,979	389	40,425
-	-	126,003	174,990	300,993
(4,365)	(7,205)	-	-	(60,460)
-	-	-	(173,820)	(173,820)
-	-	(873)	(1,136)	(2,009)
(1,563)	(3,896)	(2,061)	-	(15,939)
-	(3,354)	(2,656)	-	(10,669)
4,957	5,948	(85,680)	6,726	(56,628)
(971)	(8,507)	34,733	6,760	(18,532)
-	-	24,000	-	24,000
-	-	-	-	(1,080)
-	-	(166)	-	(166)
-	-	(392)	-	(1,031)
-	-	23,442	-	21,723
(11,250)	(97,286)	(309,027)	(10,819)	(586,593)
8,666	89,662	245,708	4,008	539,536
538	350	346	4	4,427
(2,046)	(7,274)	(62,973)	(6,807)	(42,630)
22	251	181	342	986
-	-	-	-	-
22	251	181	342	986
(642)	(910)	(1,868)	(2,146)	(13,837)
172	1,902	2,356	1,967	7,791
34	14	46	11	323
(1)	23	25	(7)	828
60	698	645	724	6,696
(538)	(350)	(346)	(4)	(4,427)
1,563	3,896	2,453	-	16,970
2,309	10,474	2,287	-	25,602
82	285	(619)	(156)	479
3,039	16,032	4,979	389	40,425

ALASKA HOUSING FINANCE CORPORATION
(A Component Unit of the State of Alaska)
STATEMENT OF CASH FLOWS
OTHER PROGRAM FUNDS
For the Year Ended June 30, 2005
(in thousands of dollars)

	Energy Programs	Low Rent Program	Section 8 Program	Section 8 Vouchers Program
Cash flows from operating activities:				
Cash received for externally funded programs	2,218	10,237	2,268	2,813
Cash received for Federal HAP subsidies	-	-	-	26,364
Payments for Federal HAP subsidies	-	-	-	(26,356)
Other operating cash receipts	-	4,853	1,264	179
Other operating cash payments	-	(2)	-	-
Net cash provided by (used for) operating activities	2,218	15,088	3,532	3,000
Cash flows from noncapital financing activities:				
Transfers (to) from other funds	(2,221)	(15,357)	(3,204)	(3,692)
Net cash provided by (used for) noncapital financing activities	(2,221)	(15,357)	(3,204)	(3,692)
Cash flows from capital financing activities:				
Proceeds from the disposal of capital assets	-	484	-	-
Net cash provided by (used for) capital financing activities	-	484	-	-
Cash flows from investing activities:				
Purchase of investments	(2,858)	(27,545)	(45,667)	-
Proceeds from maturity of investments	2,840	27,205	45,005	-
Interest received from investments	21	172	277	2
Net cash provided by (used for) investing activities	3	(168)	(385)	2
Net Increase (decrease) in cash	-	47	(57)	(690)
Cash at the beginning of year	-	552	581	1,614
Cash at the end of period	-	599	524	924
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(3,488)	(6,854)	(847)	(364)
Adjustments:				
Depreciation expense	-	4,326	614	29
Net change in the fair value of investments	(10)	(88)	(149)	-
Transfers between funds for operating activity	6,355	28,967	4,748	3,398
Interest received from investments	(21)	(172)	(277)	(2)
Changes in assets and liabilities -				
Net increase (decrease) in assets and liabilities	(618)	(11,091)	(557)	(61)
Net cash provided by (used for) operating activities	2,218	15,088	3,532	3,000

Other Programs	Combined Total
4,838	22,374
6,544	32,908
(6,560)	(32,916)
267	6,563
-	(2)
5,089	28,927
(5,178)	(29,652)
(5,178)	(29,652)
-	484
-	484
(1,641)	(77,711)
1,671	76,721
10	482
40	(508)
(49)	(749)
151	2,898
102	2,149
(10,857)	(22,410)
7	4,976
(5)	(252)
44,986	88,454
(10)	(482)
(29,032)	(41,359)
5,089	28,927

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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 $100,890,000 aggregate principal amount of State Capital Project Bonds, 2006 Series A (the "2006 Series A Bonds") of the Alaska Housing Finance Corporation (the "Corporation"), a public corporation and government instrumentality of the State created by and existing under Alaska Statutes 18.55 and 18.56, as amended (the "Act").

In such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

The 2006 Series A Bonds are authorized and issued pursuant to Chapter 129 SLA 1998, Chapter 130 SLA 2000 and Chapter 1 SSSLA 2002 (collectively, the "1998-2002 Acts"), the Act and a resolution of the Corporation adopted September 28, 2006, and are issued pursuant to the Indenture by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), dated as of December 1, 1998 (the "General Indenture"), and the 2006 Series A Supplemental Indenture, by and between the Corporation and the Trustee, dated as of October 1, 2006, executed pursuant to the General Indenture (together, the "Indenture").

The 2006 Series A Bonds mature and are subject to redemption as provided in the Indenture.

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

Applicable Federal tax law establishes certain requirements that must be met subsequent to the issuance of the 2006 Series A Bonds in order for interest on the 2006 Series A Bonds not to be included in gross income for Federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The Corporation has covenanted that it will comply with such requirements and that it will do all things necessary to ensure that interest on the 2006 Series A Bonds will be, and remain, not included in gross income for Federal income tax purposes, under Section 103 of the Code. We have examined the program documentation adopted by the Corporation, which, in our opinion, establishes procedures and covenants under which, if followed, such requirements can be met. In rendering this opinion, we have assumed compliance with, and enforcement of, the provisions of such program procedures and covenants.

As to any facts material to our opinion, we have relied upon various statements and representations of officers and other representatives of the Corporation including without limitation those contained in the Indenture, the Corporation's Certificate as to matters affecting the tax-exempt status of the 2006 Series A Bonds and the certified proceedings and other certifications of public officials and certifications by officers of the Corporation furnished to us (which are material to the opinion expressed below) without undertaking to verify the same by independent investigation.

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

1. Under the Constitution and laws of the State of Alaska (the "State"), the Corporation has been duly created, organized, and validly exists as a public corporation and government instrumentality in good standing under the laws of the State, performing an essential public function with full corporate power and authority under the Act, among other things, to enter into, and to perform its obligations under the terms and conditions of, the Indenture.

2. The Indenture has been duly authorized, executed and delivered, is in full force and effect, and is valid and binding upon the Corporation and enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other laws affecting creditors' rights generally from time to time in effect).

3. The 2006 Series A Bonds have been duly and validly authorized, sold and issued by the Corporation in accordance with the Indenture and Constitution and laws of the State, including the 1998-2002 Acts and 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 2006 Series A Bonds are valid and legally binding general obligations of the Corporation for the payment of which, in accordance with their terms, the full faith and credit of the Corporation have been legally and validly pledged, are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture.

5. The 2006 Series A Bonds are secured by a pledge in the manner and to the extent set forth in the Indenture. The Indenture creates a valid pledge of a lien on all funds established by the Indenture and moneys and securities therein which the Indenture purports to create, to the extent and on the terms provided therein.

6. Under existing laws, regulations, rulings and judicial decisions, interest on the 2006 Series A Bonds is excluded from gross income for Federal income tax purposes.

7. Interest on the 2006 Series A Bonds is not a specific preference item for purposes of the alternative minimum tax provisions imposed on individuals and corporations by the Code. *However,* interest on the 2006 Series A Bonds is included in the adjusted current earnings (*i.e.,* alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C

of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). We express no opinion regarding any other consequences affecting the Federal income tax liability of a recipient of interest on the 2006 Series A Bonds.

8. Under existing laws, interest on the 2006 Series A Bonds is free from taxation of every kind by the State, and by municipalities and all other political subdivisions of the State (except that no opinion is expressed as to such exemption from State inheritance and estate taxes and taxes of transfers by or in anticipation of death).

9. Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken, upon the advice or with the opinion of counsel. Except to the extent of our concurrence therewith, we express no opinion as to any 2006 Series A Bond, or the interest thereon, if any change occurs or action is taken upon the advice or approval of other counsel.

Sincerely,

BIRCH, HORTON, BITTNER AND CHEROT

By: ___________________________________

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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 $100,890,000 aggregate principal amount of Alaska Housing Finance Corporation State Capital Project Bonds, 2006 Series A (the "Bonds"). The Bonds will be issued pursuant to the Indenture by and between the Alaska Housing Finance Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"), dated as of December 1, 1998 (the "Indenture"), and the 2006 Series A Supplemental Indenture (the "2006 Series A Supplemental Indenture") by and between the Corporation and the Trustee, dated as of October 1, 2006, 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, the 2006 Series A Supplemental Indenture and the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 of the Corporation and such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion.

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

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

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

The opinions expressed herein are rendered in reliance upon the opinion of Birch, Horton, Bittner and Cherot, 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 $100,890,000 aggregate principal amount of its State Capital Project Bonds, 2006 Series A (the "2006 Bonds"). The 2006 Bonds are being issued pursuant to an Indenture, by and between the Corporation and U.S. Bank National Association (formerly known as U.S. Bank Trust National Association), as trustee (the "Trustee") dated as of December 1, 1998 and a 2006 Series A Supplemental Indenture thereto, by and between the Corporation and the Trustee dated as of October 1, 2006 (collectively, the "Indenture"). The Corporation covenants and agrees with the registered owners and the beneficial owners of the 2006 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 2006 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
http://www.bloomberg.com/markets/rates/municontacts.html
Email: Munis@Bloomberg.com

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

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999; (800) 689-8466
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
http://www.ftid.com
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
http://www.disclosuredirectory.standardandpoors.com/
Email: nrmsir_repository@sandp.com

"Official Statement" shall mean the Corporation's final Official Statement with respect to the 2006 Bonds, dated October 5, 2006.

"Participating Underwriter" shall mean any of the original underwriters of the 2006 Bonds required to comply with the Rule in connection with the offering of the 2006 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.

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, 2006) 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 Official Statement under the caption "The Corporation," (iii) the amount and type of the investments (and cash) in the accounts and subaccounts established in the Indenture, (iv) the outstanding principal balances of each maturity of Bonds and the sinking fund installment amounts as applicable, (v) the application of funds deposited in the 2006 Subaccount of the Redemption Fund Account and (vi) 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, where 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 2006 Bonds or any other bonds;

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

3. Unscheduled draws on debt service reserves 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 2006 Bonds;

7. Modifications to rights of Bondholders;

8. Unscheduled Bond calls;

9. Defeasance of the 2006 Bonds;

10. Release, substitution or sale of property securing repayment of the 2006 Bonds; and

11. Rating changes for the 2006 Bonds.

Upon the occurrence of a Listed Event that is material, the Corporation shall file a notice of such occurrence with the Repositories. Each notice of a Listed Event hereunder shall indicate that it is a notice of a Listed Event and shall include the CUSIP numbers of the Bonds. Notwithstanding the foregoing, notice of Listed Events described in subsections (8) and (9) need not be given under this Section any earlier than the notice (if any) of the underlying event is given to the owners of affected 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 Subject Bonds.

SECTION 7. Dissemination Agent. The Corporation may satisfy its obligations hereunder to file any notice, document or information with a National Repository or State Repository (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, or (ii) by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such National Repository or State Repository, to the extent permitted by the Securities and Exchange Commission or Securities and Exchange Commission staff or required by the Securities and Exchange Commission. For this purpose, permission shall be deemed to have been granted by the Securities and Exchange Commission staff if and to the extent the agent or conduit has received an interpretive letter, which has not been revoked, from the Securities and Exchange Commission staff to the effect that using the agent to transmit information to the National Repositories and the State Repository will be treated for purposes of the Rule as if such information were transmitted directly to the National Repositories and the State Repository.

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 2006 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 2006 Bonds as determined either by a party unaffiliated with the Corporation (such as Bond Counsel) or by approving vote of the owners of a majority in principal amount of the 2006 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. Transmission of Information and Notices. Unless otherwise required by law and, in the Corporation's sole determination, subject to technical and economic feasibility, the Corporation shall employ such methods of information and notice transmission as shall be requested or recommended by the recipients of the Corporation's information and notices.

SECTION 10. Default. *Except* as described in this paragraph, the provisions of this Certificate will create no rights in any other person or entity. The obligation of the Corporation to comply with the provisions of this Certificate are enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data, and notices, by any beneficial owner of outstanding Bonds, or by the Trustee on behalf of the registered owners of outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information, and operating data so provided, by the Trustee on behalf of the registered owners of outstanding Bonds; *provided, however,* that the Trustee shall not be required to take any enforcement action *except* at the direction of the registered owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. A default under this Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the Corporation or the Trustee to comply with this Certificate shall be an action to compel performance.

SECTION 11. Governing Law. This Certificate shall be construed and interpreted in accordance with the laws of the State of Alaska, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State, *provided* that, to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Corporation, and the registered owners and beneficial owners from time to time of the 2006 Bonds, and shall create no rights in any other person or entity.

Date: October 25, 2006

ALASKA HOUSING FINANCE CORPORATION

By: ______________________________________

Daniel R. Fauske
Chief Executive Officer/Executive Director

Exhibit A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

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

Name of Bond Issue: $100,890,000 State Capital Project Bonds, 2006 Series A

Date of Issuance: October 25, 2006

NOTICE IS HEREBY GIVEN that the Corporation has not provided an Annual Report with respect to the above-named Bonds as required by the certificate of the Corporation.

Dated: ______________________________

ALASKA HOUSING FINANCE CORPORATION

By: __________________________________

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APPENDIX E

FORM OF MBIA INSURANCE CORPORATION BOND INSURANCE POLICY

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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, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of 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 U.S. Bank Trust National Association, 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 U.S. Bank Trust National Association, U.S. Bank Trust National Association 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

STD-R-AK-7
01/05___

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ALASKA HOUSING FINANCE CORPORATION • STATE CAPITAL PROJECT BONDS 2006 SERIES A

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