NEW ISSUE
BOOK ENTRY ONLY

RATINGS: ***Standard & Poor's: AAA***
Moody's Investors Service: Aaa
(MBIA Insured)

In the opinion of Bond Counsel, based on an analysis of existing statutes, regulations, published rulings and judicial decisions, and assuming, among other things, compliance by the University with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes. Interest is included in the computation of certain federal taxes on corporations. Interest on the Bonds is exempt from taxation by the State of Alaska except for transfer, estate and inheritance taxes and except to the extent that inclusion of said interest in computing the corporate alternative minimum tax under Section 55 of the Code may affect the corresponding provisions of the State of Alaska corporate income tax. See "TAX EXEMPTION" herein.

$24,355,000
UNIVERSITY OF ALASKA
General Revenue Bonds, 2005 Series N

Dated: As of Delivery Date **Due: October 1, as shown below**

The 2005 Series N Bonds (the "Bonds") will be issued as fully registered bonds under a book-entry system, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, ("DTC") the securities depository for the Bonds. (See "BOOK-ENTRY SYSTEM" herein.) Individual purchases of the Bonds will initially be made in full book-entry only form in the principal amounts of $5,000 or integral multiples thereof. The Bonds will bear interest payable on October 1, 2005 and semiannually thereafter on April 1 and October 1 of each year and are subject to redemption prior to maturity as described herein.

The Bonds are revenue obligations of the University secured under a Trust Indenture dated as of June 1, 1992, between the University and The Bank of New York Trust Company, as successor trustee (the "Trustee"), and an Eleventh Supplemental Trust Indenture dated as of August 1, 2005 between the University and the Trustee. The Bonds are being issued to fund certain new capital projects and to refund certain Prior Debt of the University. See "THE USE OF BOND PROCEEDS" herein. The Bonds together with $73,170,000 principal amount of general revenue bonds that will be outstanding and any additional parity bonds are equally and ratably secured under the Indenture by a pledge of revenues derived from certain fees, charges and rentals received by the University and the moneys and securities held under the Indenture, including the Reserve Fund.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OTHER LIABILITY OF THE STATE OF ALASKA OR ANY POLITICAL SUBDIVISION THEREOF, EXCEPT THE UNIVERSITY, AND THE BONDS DO NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF ALASKA TO LEVY ANY FORM OF TAXATION OR MAKE ANY APPROPRIATION FOR THE PAYMENT OF THE BONDS. THE UNIVERSITY HAS NO TAXING POWER. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF ALASKA OR ANY POLTICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS.

Payment of the principal and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.

MATURITY SCHEDULE

Due October 1	Principal Amount	Interest Rate	Price	CUSIP 914046*	Due October 1	Principal Amount	Interest Rate	Price	CUSIP 914046*
2006	$255,000	3.00%	100.104%	TD9	2021	$1,240,000	5.00%	106.517%	TU1
2007	265,000	3.25	100.499	TE7	2022	1,170,000	5.00	106.264	TV9
2008	955,000	3.50	100.872	TF4	2023	800,000	5.00	105.591	TW7
2009	1,005,000	4.00	102.497	TG2	2024	725,000	4.25	98.965	TX5
2010	1,050,000	4.00	102.541	TH0	2025	510,000	4.30	99.067	TY3
2011	1,100,000	4.00	102.440	TJ6	2026	535,000	4.30	98.767	TZ0
2012	1,135,000	4.00	102.102	TK3	2027	555,000	4.35	99.155	UA3
2013	1,190,000	4.00	101.726	TL1	2028	580,000	4.35	98.563	UB1
2014	1,240,000	4.00	101.291	TM9	2029	225,000	4.40	98.825	UC9
2015	1,405,000	5.00	109.095	TN7	2030	235,000	4.45	99.100	UD7
2016	1,425,000	5.00	108.487	TP2	2031	245,000	4.45	98.628	UE5
2017	1,495,000	5.00	107.969	TQ0	2032	255,000	4.50	99.068	UF2
2018	1,235,000	5.00	107.625	TR8	2033	270,000	4.50	98.739	UG0
2019	1,300,000	5.00	107.283	TS6	2034	280,000	4.50	98.559	UH8
2020	1,380,000	5.00	106.857	TT4	2035	295,000	4.50	98.536	UJ4

The Bonds were purchased at a public sale on August 16, 2005 by Sovereign Securities Corp., LLC The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approving legal opinion of Wohlforth, Johnson, Brecht, Cartledge & Brooking, Anchorage, Alaska, Bond Counsel, as to validity and exemption of interest thereon from federal income taxation, and subject to certain other conditions. It is expected that the Bonds, in book-entry form will be available for delivery to the Trustee by Fast Automated Securities Transfer on behalf of DTC on or about August 31, 2005.

* CUSIP numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. The University is not responsible for the selection or the correctness for the CUSIP numbers set forth above.

August 23, 2005

The information set forth in this Official Statement has been provided by the University and other official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the University. This information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made through it will, under any circumstances, create any implication that there has been no change in the affairs of the University or that the other information or opinions are correct as of any time subsequent to the date of this Official Statement.

No dealer, broker, salesman or other person has been authorized by the University to give any information or to make any representations, other than those 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 the University. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor is there authorized to be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as matters of fact.

UPON ISSUANCE, THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE, OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED ON THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE BONDS FOR SALE. THE INDENTURE WILL NOT BE QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED.

This Official Statement is submitted by the University in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

UNIVERSITY OF ALASKA

Statewide Finance Office
209E Butrovich Building
P.O. Box 756540
Fairbanks, Alaska 99775-6540
(907) 450-8079

Board of Regents

Administration

Mark R. Hamilton, President

Joseph M. Beedle, Vice President for Finance

Roger Brunner, General Counsel

Randy L. Weaver, Controller

J. Mark Neumayr, Vice Chancellor for Administrative Services, University of Alaska Fairbanks

Gebeyehu Ejigu, Ph. D., Vice Chancellor for Administrative Services, University of Alaska Anchorage

Carol L. Griffin, Vice Chancellor for Administrative Services, University of Alaska Southeast

Bond Counsel

Wohlforth, Johnson, Brecht, Cartledge & Brooking
Anchorage, Alaska

Trustee/Escrow Agent

The Bank of New York Trust Company, N.A.
Seattle, Washington

Financial Advisor

Kaplan Financial Consulting, Inc.
Chicago, Illinois

Verification Agent

Grant Thornton, LLP
Minneapolis, Minnesota

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OFFICIAL STATEMENT

$24,355,000
UNIVERSITY OF ALASKA
General Revenue Bonds, 2005 Series N

INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to furnish information regarding the issuance of the General Revenue Bonds, 2005 Series N in the principal amount of $24,355,000 (the "Bonds"), the University of Alaska (the "University"), the State of Alaska (the "State"), the Board of Regents of the University of Alaska (the "Board" or "Board of Regents"), and certain matters relating to the University's finances, enrollment and administration.

The Bonds will be issued pursuant to resolutions adopted by and actions authorized by the Board of Regents and in accordance with the provisions of a Trust Indenture, as amended (the “Trust Indenture”) dated as of June 1, 1992 between the University and The Bank of New York Trust Company, as successor trustee, (the "Trustee") and as supplemented by the eleventh Supplemental Trust Indenture (the “Eleventh Supplemental Trust Indenture”) dated as of August 1, 2005 between the University and the Trustee. The Trust Indenture and the Eleventh Supplemental Trust Indenture are together referred to herein as the "Indenture."

The University is the only public institution of higher learning in the State. It is a statewide system that consists of three multi-mission universities located in Anchorage, Fairbanks, and Juneau with extended satellite colleges and sites throughout the State, including over 100 extension and research sites.

This Official Statement contains information on the terms of the Bonds, descriptions of the University, and certain fiscal matters of the University. The descriptions included in this Official Statement do not purport to be comprehensive or definitive, and such summaries and descriptions are qualified in their entirety by reference to such laws, and the definitive forms of documents, exhibits or appendices where applicable. Any statements, herein involving estimates, projections or forecasts are to be construed as such rather than as statements of facts or representations that such estimates, projections or forecasts will be realized.

Summaries of or references to, provisions of the Internal Revenue Code of 1986, as amended (the “Code”), contained herein are made subject to the complete provisions thereof and do not purport to be complete statements thereof.

DESCRIPTION OF THE BONDS

GENERAL

The aggregate principal amount of the Bonds to be issued is $24,355,000. The Bonds will be dated as of their date of issuance and will bear interest from the dated date of the Bonds payable on October 1, 2005, and semiannually thereafter on April 1 and October 1 of each year. The Bonds will mature on October 1 of each year and in the principal amounts, and will bear interest at the rates, as set forth on the cover of the Official Statement.

The Bonds will initially be issued in book-entry only form in denominations of $5,000 or any integral multiple thereof. The Bonds, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as depository for the Bonds. Purchasers of beneficial interests in the Bonds will not receive physical delivery of certificates representing their interests in the Bonds. So long as DTC, or its nominee, Cede & Co. is the registered owner of all the Bonds, all payments on the Bonds will be made directly to DTC, and disbursements of such payments to the hereafter described Beneficial Owners of the Bonds will be the responsibility of the DTC Participants as more fully described hereafter.

OPTIONAL REDEMPTION

The Bonds maturing on or after October 1, 2016 are subject to redemption, either in whole or in part, in any order of maturity selected by the University, on any date, in increments of $5,000 subject to the provisions of, and in accordance with, the Indenture, on or after October 1, 2015, upon notice as provided in the Indenture, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

BOOK-ENTRY SYSTEM

The following information has been provided by The Depository Trust Company, New York, New York ("DTC"). The University makes no representation regarding the accuracy or completeness thereof. Each actual purchaser of a Bond (a "Beneficial Owner") should therefore confirm the following with DTC or the Participants (as hereinafter defined).

DTC will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security ("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, but Beneficial Owners are 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 Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The 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.

Neither DTC nor Cede & Co. will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on 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 Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The University may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

NOTICE OF REDEMPTION

At least 30 days, but not more than 60 days, prior to the date upon which any Bonds are to be redeemed, the Trustee will deliver by first class mail a notice of redemption to the registered owner of any Bond identifying all or a portion of the Bonds which are to be redeemed, at the owner's last address appearing on the registration books of the University kept by the Trustee.

On the date on which the redemption notice is mailed to the registered owners pursuant to the preceding paragraph, the Trustee shall give notice of redemption identifying the Bonds or portions thereof to be redeemed to Standard & Poor’s, a Division of The McGraw-Hill Companies and by publication in the Kenny Information Service's Called Bond Service. So long as a book-entry system is used for determining beneficial ownership of the Bonds, notice of redemption will be sent to DTC or any other depository that is a registered owner of the Bonds.

Neither failure to receive any redemption notice nor any defect in such redemption notice so given will affect the sufficiency of the proceedings for the redemption of the Bonds. Failure by the Trustee to deliver notice of redemption of the Bonds at times required shall not impair the ability of the Trustee and the University to affect such redemption. The University can make no assurances that the Trustee, DTC, DTC Participants or other nominees of the bondholders will distribute such redemption notices to the bondholders, or that they will do so on a timely basis, or that DTC will act as described in this Official Statement.

TRANSFER OF SECURITIES

The Bonds shall only be transferable upon the books of the University, which shall be kept for such purposes at the principal office of the Trustee, by the registered Owner in person or by a duly authorized attorney, upon surrender thereof with a written instrument of transfer satisfactory to the Trustee. Upon transfer of any such Bond, the Trustee shall authenticate and deliver in the name of the transferee a new fully registered Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Bond.

THE USE OF BOND PROCEEDS

GENERAL

The Bonds will be issued for purposes of (i) paying a portion of the costs of acquisition, construction, refurbishment and improvement of projects for University purposes, (ii) making a deposit into the Reserve Fund, (iii) refunding certain Prior Debt of the University, and (iv) paying the costs of issuing the Bonds, including the underwriters' discount and bond insurance premium.

THE PROJECTS

UAF Utility Facilities – These Fairbanks campus projects consist of (i) building a new 2,640 gross square foot chiller facility, including the installation of two new absorption chillers, expansion of existing wet cooling tower, and modifications of the chilled water distribution system, (ii) modifications of existing cooling system at the Elvey building and (iii) replacement and upgrade of electrical equipment that provides back-up electrical power from the local Fairbanks electrical utility. The chiller upgrade project is partially funded with $635,000 from 2004 Series M general revenue bonds, and the electrical equipment upgrade is partially funded with $1.0 million from 2003 Series L general revenue bonds.

UAF Research and Infrastructure Facilities – These Fairbanks campus projects consist of (i) construction of a 40,464 gross square foot Biological Research and Diagnostics Facility estimated to be completed by fall 2006. The facility incorporates program components and space for laboratories, procedure rooms, necropsy, incinerator and related administrative space. The State of Alaska will be contributing $14.4 million for this project component, (ii) purchase of 4.4 acres of land and a 44,000 square foot warehouse building off-campus for University purposes, and (iii) improvements to the on-campus ice arena expected to be completed in fall 2005.

UAA Campus Improvements – This project consists of construction and additions to the University's instructional facilities located in Homer, Alaska.

Redemption of Loan – A portion of the bond proceeds will payoff an outstanding promissory note in the amount of approximately $2.6 million from the Alaska Housing Finance Corporation (AHFC). The loan was originally issued in 1997 for the acquisition and construction of student housing facilities on the University of Alaska Anchorage campus. See Table 4 for the AHFC loan detail.

REFUNDING PROGRAM

Approximately $8.3 million of Bond proceeds will be used to refund the outstanding general revenue bonds described below (the "Prior Debt").

Issue	Maturities	Redemption Date	Redemption Price
Series 1997 G	2008-2014, 2017, 2022	October 1, 2007	100%

Pursuant to an Escrow Agreement dated August 31, 2005 between the University and The Bank of New York Trust Company (the "Escrow Agent") the University, upon issuance of the Bonds, will irrevocably deposit with the Escrow Agent cash and/or direct obligations of, or any obligation the full and timely payment of principal and interest on which is guaranteed by the United States of America ("Federal Obligations"), in an amount sufficient to make full and timely payment of the redemption price of the Prior Debt, along with the interest on the Prior Debt to the redemption date. All amounts deposited with the Escrow Agent, including interest earnings thereon, are pledged solely and irrevocably for the benefit of the owners of the Prior Debt.

Grant Thornton, LLP, independent certified public accountants, will verify the mathematical calculations of the adequacy of the deposit to provide payment of the Prior Debt at the time of the delivery of the Bonds. All moneys and Federal Obligations deposited with the Escrow Agents for the payment of the Prior Debt, including interest thereon, are pledged solely and irrevocably for the benefit of the owners of the Prior Debt. In reliance upon the report of Grant Thornton, LLP, referred to previously with respect to the sufficiency of amounts deposited with the Escrow Agents to pay the redemption price of and interest on the Prior Debt, Bond Counsel is expected to deliver to the University and the Trustee, at the time of the delivery of the Bonds, their opinion stating that by reason of such deposit and the University's irrevocable election to redeem the Prior Debt, the Prior Debt has been defeased.

Table 1
UNIVERSITY OF ALASKA
Sources and Uses of Funds

Sources:	
Bond Principal	$ 24,355,000
Original Issue Premium (Discount)	944,961
Cash contribution	206,000
Total Sources	$ 25,505,961
Uses:	
Deposit to Construction Fund	$ 13,964,382
Deposit to Escrow	8,251,235
Redemption of Note Payable	2,597,555
Deposit to Reserve Fund	447,860
Costs of Issuance, including underwriting discount and bond insurance premium	244,929
Total Uses	$ 25,505,961

SECURITY FOR THE BONDS

AUTHORIZATION

The Bonds are being issued pursuant to Chapter 40 of Title 14 of the Alaska Statutes, as amended (the "Act") which authorizes the University to issue revenue bonds (including refunding bonds) to pay the cost of acquiring, constructing or equipping facilities that the Board of Regents determines necessary. Provisions enacted into law during the 1991 legislative session authorized the University to issue revenue bonds with the approval of the Board of Regents. The State Legislature must approve, by law, a project (other than a refunding obligation) financed by obligations with annual debt service payments in excess of one million dollars.

The Bonds are issued by virtue of a Bond Resolution adopted by the Board of Regents of the University on August 8, 2005 and confirmed on August 23, 2005 and an Eleventh Supplemental Indenture dated August 1, 2005 by and between the University and the Trustee. Since 1992, the University has issued 12 series of general revenue bonds totaling $127.52 million of which $81.045 million are currently outstanding. Upon issuance of the Bonds, $97.525 million general revenue bonds will be outstanding.

PLEDGED REVENUES

The Bonds constitute revenue obligations of the University. The Bonds do not constitute an indebtedness or liability of the State, and the Bonds do not directly, indirectly or contingently obligate the State or any political subdivision thereof to apply moneys from or levy or pledge any form of taxation whatever for the payment of the Bonds. The University has no taxing power. The Alaska State Legislature is not obligated to appropriate monies to pay debt service on the Bonds.

Pursuant to the Indenture, the Revenues, and all of the moneys, securities and funds held and set aside under the Indenture are pledged and assigned, equally and ratably, to secure the payment of the principal and redemption price of, and interest on all Bonds and parity bonds outstanding under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions specified in the Indenture. "Revenues" consist of all student fees, charges and rentals, including receipts from sales of goods and services, indirect cost recovery, income of auxiliary enterprises, miscellaneous fees and fines and similar items which are unrestricted but not including: (1) governmental appropriations, other than for the items specified above; (2) gifts, donations and endowment earnings; (3) investment earnings, other than earnings on funds held under the Indenture, and (4) revenues from trust land required to be deposited in the Land-Grant Endowment Trust Fund pursuant to Section 400 Chapter 40 of Title 14 of the Alaska Statutes, as amended.

The Act provides that any pledge under the Indenture of the Revenues received by the University is considered a perfected security interest and is valid and binding from the time when the pledge is made, and that the property so pledged is immediately subject to the lien of such pledge without any physical delivery or other act. The State has pledged not to limit or alter rights vested in the University to fulfill the terms of a contract with revenue bond owners.

All Revenues are deposited upon receipt in the Revenue Fund held by the University. Amounts may be paid out of the Revenue Fund without restriction for operating costs of the University. The University covenants to pay its general expenses from legislative appropriations made from the State's general fund before paying operating expenses from the Revenue Fund. Amounts will be paid out of the Revenue Fund into the Debt Service Fund to the extent necessary for the payment of debt service on the Bonds and all parity bonds and will be paid out of the Revenue Fund and into the Reserve Fund to the extent necessary so that the amount therein equals the Reserve Requirement.

Table 2
UNIVERSITY OF ALASKA
Revenues Pledged to General Revenue Bonds(1)
For Fiscal Years Ending June 30, 2000 to 2004

($s in 000's)

	2000	2001	2002	2003	2004
Student Tuition and Fees, net	$ 48,625	$ 45,721	$48,887	$ 54,569	$ 61,496
Recovery of Indirect Costs	14,644	16,091	18,606	22,689	29,724
Sales and Services of Educational Depts.	3,381	3,798	3,677	3,681	3,415
Other Sources, Net of Gifts(2)	12,763	12,994	11,237	11,739	12,327
Total Auxiliary Enterprises	29,561	27,542	29,685	32,283	34,605
Total Pledged Revenue	$110,421	$108,661	$116,175	$128,817	$141,567
Fiscal year debt service	$ 5,185	$ 4,980	$ 5,093	$ 5,091	$ 6,171
Coverage	21.3X	21.8X	22.8X	25.3X	22.9X

(1) Consistent with the terms of the Trust Indenture, all revenues generated from the sources identified in the table are Revenues that secure the University's General Revenue Bonds, including the Bonds.

(2) Gifts are excluded as Revenues pledged for payment of General Revenue Bonds.

Source: University of Alaska.

For fiscal years beginning in 2001, the financial statements of the University have been modified to conform to the accounting and reporting requirements of Governmental Accounting Standards Board Statement No. 35 ("GASB 35"). GASB 35 requires public universities to establish an estimate for the amount of federal Pell Grant and other institutional revenues that are used by students to pay tuition and fees or room and board, and to record this estimate as an offset to student tuition and fee or auxiliary revenue.

Amounts shown in Table 2, which are derived from the financial statements of the University, include total offsets (including the amount of tuition allowances) to tuition and auxiliary enterprise revenues of $5.8 million for fiscal 2001, $6.6 million for fiscal 2002, $6.4 million for fiscal 2003, and $7.6 million for fiscal 2004. The University does apply portions of a student's Pell Grant for payment of tuition and fees and such payments would constitute Pledged Revenues under the Indenture. Under previous standards for the fiscal year 2000, Pell Grants were recorded as restricted revenues and their expenditure as restricted student aid. Student fees and auxiliary enterprise revenues for those years are reported on a gross basis, without any offsets for the allowances that are recognized under current standards.

RESERVE FUND

The Indenture establishes the Reserve Fund to be held by the Trustee and provides for a Reserve Requirement equal to (i) one-half of Maximum Aggregate Debt Service in any Bond Year on all outstanding Bonds and Additional Bonds, or (ii) such lesser amount as is required in order to maintain the tax-exempt status of the Bonds. The Indenture provides that if five Business Days prior to any principal or interest payment date for the Bonds the amount in the Debt Service Fund is less than the amount required to pay such principal or interest, the Trustee will apply amounts from the Reserve Fund to the extent necessary to make good the deficiency. Under certain conditions, the Indenture permits Reserve Equivalents to be used to satisfy the Reserve Requirement. As of August 1, 2005, the Reserve Fund held Investment Securities with a market value of approximately $3.0 million and a reserve fund policy issued by Financial Guaranty Insurance Company in the amount of $606,401. See Appendix B, "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

RATE COVENANT

The Indenture establishes that the University will fix, maintain and collect fees, charges and rentals, and the University will adjust such fees, charges and rentals such that Revenues of the University will be at least equal in each Fiscal Year to the greater of (a) the sum of (i) an amount equal to Aggregate Debt Service for such Fiscal Year; (ii) the amount, if any, to be paid during such Fiscal Year into the Reserve Fund; (iii); the amount of draws, interest and expenses then due and owing on any Reserve Equivalent and (iv) all other amounts which the University may now, or hereafter, become obligated to pay, by law or contract, from Revenues during such Fiscal Year; or, (b) an amount equal to at least 2.0 times the Aggregate Debt Service for such Fiscal Year.

ADDITIONAL BONDS

The University may issue one or more series of Additional Bonds on a parity with the Bonds and secured by an equal lien on the Revenues for the following purposes:

(a) Additional Bonds may be issued to provide funds to pay for the cost of Acquisition or Construction of a project for the University, upon delivery to the Trustee of a certificate from an Authorized Officer of the University that the amount of Revenues received by the University during the last Fiscal Year prior to the issuance of the Additional Bonds was at least equal to 2.0 times Maximum Aggregate Debt Service with respect to all Bonds and Additional Bonds to be outstanding after the issuance of such Additional Bonds and 1.0 times any amount of the draws, interest and expenses then due and owing under any Reserve Equivalent.

(b) Additional Bonds may be issued to refund any outstanding obligations of the University including the Bonds. The University must certify either (i) that Aggregate Debt Service in any Fiscal Year will not be increased as a result of such refunding, or (ii) that the amount of Revenues received by the University during the last Fiscal Year prior to the issuance of the Additional Bonds was at least equal to 2.0 times Maximum Aggregate Debt Service with respect to all Bonds and Additional Bonds to be outstanding after the issuance of such Additional Bonds.

Subordinated indebtedness secured by a lien on the Revenues may be issued provided that such lien is junior and inferior to the lien of the Bonds on the Revenues.

DEBT SERVICE COVERAGE

The following debt service coverage summary is based on pledged Revenues for the fiscal years as indicated (see Table 2, "Revenues Pledged to General Revenue Bonds"), and the annual debt service requirements on all General Revenue Bonds, including the Bonds and excluding the Prior Debt. See "THE USE OF BOND PROCEEDS - Refunding Program" and Table 3, "Combined Debt Service on General Revenue Bonds and Other Indebtedness."

	2004	**Unaudited 2005**	**Budgeted 2006**
Pledged Revenues	$141,567,000	$155,362,000	$164,300,000
Maximum Aggregate Debt Service including the Bonds (FY2008)	$ 7,904,044	$ 7,904,044	$ 7,904,044
Coverage	17.9X	19.7X	20.8X

Table 3
UNIVERSITY OF ALASKA
Combined Debt Service on General Revenue Bonds and Other Indebtedness

Fiscal Year	Outstanding Revenue Bonds (1)	2005 Series N Principal	2005 Series N Interest	2005 Series N Total	Total General Revenue Bond Debt Service	Other Indebtedness (2)	Total
2006	$6,551,811	$0	$642,886	$642,886	$7,194,697	$1,807,512	$9,002,209
2007	6,550,895	255,000	1,093,043	1,348,043	7,898,938	1,733,169	9,632,107
2008	6,554,133	265,000	1,084,911	1,349,911	7,904,044	1,692,228	9,596,272
2009	5,475,262	955,000	1,063,893	2,018,893	7,494,155	1,568,870	9,063,025
2010	5,447,100	1,005,000	1,027,080	2,032,080	7,479,180	1,536,383	9,015,563
2011	5,451,440	1,050,000	985,980	2,035,980	7,487,420	1,500,000	8,987,420
2012	5,458,443	1,100,000	942,980	2,042,980	7,501,423	1,500,000	9,001,423
2013	5,457,130	1,135,000	898,280	2,033,280	7,490,410	1,500,000	8,990,410
2014	5,060,558	1,190,000	851,780	2,041,780	7,102,338	1,500,000	8,602,338
2015	4,927,154	1,240,000	803,180	2,043,180	6,970,334	1,500,000	8,470,334
2016	4,928,538	1,405,000	743,255	2,148,255	7,076,793	1,500,000	8,576,793
2017	4,935,590	1,425,000	672,505	2,097,505	7,033,095	1,500,000	8,533,095
2018	4,932,554	1,495,000	599,505	2,094,505	7,027,059	1,500,000	8,527,059
2019	4,567,129	1,235,000	531,255	1,766,255	6,333,384	1,500,000	7,833,384
2020	4,564,333	1,300,000	467,880	1,767,880	6,332,213	1,500,000	7,832,213
2021	4,567,171	1,380,000	400,880	1,780,880	6,348,051	1,500,000	7,848,051
2022	4,555,768	1,240,000	335,380	1,575,380	6,131,148	1,500,000	7,631,148
2023	4,476,888	1,170,000	275,130	1,445,130	5,922,018	1,500,000	7,422,018
2024	3,736,891	800,000	225,880	1,025,880	4,762,771	1,501,365	6,264,136
2025	2,885,799	725,000	190,474	915,474	3,801,273		3,801,273
2026	2,883,783	510,000	164,103	674,103	3,557,885		3,557,885
2027	2,880,543	535,000	141,635	676,635	3,557,178		3,557,178
2028	2,886,015	555,000	118,061	673,061	3,559,076		3,559,076
2029	1,475,964	580,000	93,375	673,375	2,149,339		2,149,339
2030	638,358	225,000	75,810	300,810	939,168		939,168
2031	639,688	235,000	65,631	300,631	940,319		940,319
2032		245,000	54,951	299,951	299,951		299,951
2033		255,000	43,763	298,763	298,763		298,763
2034		270,000	31,950	301,950	301,950		301,950
2035		280,000	19,575	299,575	299,575		299,575
2036		295,000	6,638	301,638	301,638		301,638
	$ 112,488,933	$24,355,000	$ 14,651,647	$ 39,006,647	$ 151,495,581	$ 29,339,527	$ 180,835,108

Source: University of Alaska

(1) Excludes the Prior Debt to be refunded.

(2) Other indebtedness consists primarily of $23.5 million outstanding note payable to the Alaska Housing Finance Corporation (AHFC). See "THE USE OF BOND PROCEEDS" and Table 4, "Schedule of Long-Term Debt" for a description of the security provisions of the AHFC obligation. This column excludes $2.6 million AHFC debt being redeemed with this bond issue.

Table 4
UNIVERSITY OF ALASKA
Schedule of Long-Term Debt
June 30, 2005

	Interest Rates	Interest Payment Dates	Issue Date	Final Maturity Date	Amount Issued	Outstanding June 30, 2005
Installment Contracts	2.68 – 3.94%	Quarterly	Various	1-15-10	$ 1,039,112	$ 789,965
Notes Payable [1]						
Alaska Housing Finance Corp. (AHFC) [2]	1.826&6.0%	8-1/2-1	5-14-97	2-1-24	$ 33,000,000	$ 26,613,547
Revenue Bonds						
General Revenue Bonds, 1997 Series G[3]	5.00-5.45%	10-1/4-1	7-8-97	10-1-22	10,000,000	8,815,000
General Revenue Bonds, 1998 Series H	4.35-4.80%	10-1/4-1	12-17-98	10-1-23	9,820,000	9,820,000
General Revenue Bonds, 1999 Series J	4.00-5.00%	10-1/4-1	4-27-99	10-1-17	14,295,000	10,805,000
General Revenue Bonds, 2002 Series K	1.00-5.00%	10-1/4-1	7-31-03	10-1-28	33,515,000	31,485,000
General Revenue Bonds, 2003 Series L	3.00-4.70%	10-1/4-1	12-9-03	10-1-30	9,970,000	9,320,000
General Revenue Bonds, 2004 Series M	3.25-4.75%	10-1/4-1	1-8-04	10-1-28	11,070,000	10,800,000
					$ 88,670,000	$ 81,045,000
Total Long-Term Debt					$ 122,709,112	$ 108,448,512

Source: University of Alaska.

(1) Under the loan agreement under which the note to AHFC was issued, the obligation to repay the loan is an absolute, unconditional and unlimited general obligation of the University. The University has not pledged its Revenues, as defined in the Indenture, to make any of the payments required under the loan agreement with the AHFC. The University used these funds to construct a 558-bed suite-style housing and food service addition in Anchorage that opened in August 1998. The effective interest rate on the AHFC note is 2.55%, based upon a 1.826% rate on $30 million of original principal and a 6% rate on $3.0 million of original principal.

(2) AHFC notes payable principal of $2,584,632 will be redeemed with this Bond issue.

(3) $7.875 million of the 1997 Series G bonds will be refunded with this Bond issue. See “The Use of Bond Proceeds -- Refunding Program” herein.

GENERAL INFORMATION CONCERNING THE UNIVERSITY OF ALASKA

GENERAL

The University of Alaska is the only public institution of higher learning in the State. It is a Statewide system which consists of three multi-mission universities located in Anchorage, Fairbanks, and Juneau ("Southeast") with extended satellite colleges and sites throughout the State, including over 100 extension and research sites. The University was established at Fairbanks, Alaska, by Congress in 1915 as the Alaska Agricultural College and School of Mines; in 1935 it was renamed the University of Alaska; and in 1959 was established as the State university in the Alaska State Constitution. The University has expanded to include full-service universities in Fairbanks, Anchorage, and Juneau; lower division college centers in Bethel, Dillingham, Ketchikan, Kodiak, Kotzebue, Nome, Palmer, Sitka, and Soldotna; a community college at Valdez; and vocational, rural education, and extension sites throughout the State.

The University is governed by an eleven-member Board of Regents, which is appointed by the governor. In August 1998, the Board of Regents appointed U.S. Army Major General Mark R. Hamilton as the 12th president of the University of Alaska. Chancellors head the major regional instructional units: the University of Alaska Fairbanks, the University of Alaska Anchorage and the University of Alaska Southeast. The system's administrative offices are located on the Fairbanks campus.

DESCRIPTION OF THE PROGRAMS

The University of Alaska Anchorage offers baccalaureate and associate degrees, as well as certificate programs, through its colleges of arts and sciences, career and vocational education, and nursing and health sciences, as well as the schools of business, education, engineering and public affairs. In addition, master's degrees are offered in nine programs from the campus' colleges and schools. It also provides adult and continuing education programs. Medical science is provided through a joint agreement with the University of Washington. Research programs are emphasized, primarily in biological and health sciences, public policy, and social and economic studies. The Community and Technical College provides both credit and non-credit instruction to the greater Anchorage area and to all military bases in the State.

The University of Alaska Fairbanks is a comprehensive, four year, doctoral degree-granting institution with four professional schools and three colleges that offer bachelor's degrees in more than 65 major areas and recognized master's degrees in professional disciplines and doctorates in the sciences and mathematics. The three colleges are the College of Liberal Arts, the College of Engineering and Mines, and the College of Rural Alaska, with the latter having branch campuses and extended sites throughout the State. The four professional schools consist of the School of Natural Resources and Agricultural Sciences, the School of Management, School of Fisheries and Ocean Sciences and the School of Education. These colleges and schools offer certificates, associate and baccalaureate degrees as well as a wide range of technical/vocational programs. Master's degrees are offered in over 50 fields and doctoral programs are offered in the areas of anthropology, atmospheric sciences, biology, geology, geophysics, mathematics, oceanography, physics, space physics, and wildlife management.

The University of Alaska Southeast is a comprehensive regional university with the primary purpose of providing post-secondary education in Southeast Alaska. The University of Alaska Southeast has campuses in Juneau, Ketchikan, and Sitka, and outreach locations throughout its region. It offers certificate programs and associate of applied science degrees in vocational-technical and business-related areas; associate of arts degrees and baccalaureate degrees in the liberal arts, sciences, education, business, and social sciences; and master's degrees in selected professional fields. In the Statewide system, this institution shares responsibility for programs in public administration, early childhood education and educational technology and has responsibility for statewide distance delivery of degrees in liberal arts and business and the master's degree in public administration.

ACCREDITATIONS

The four accredited institutions of the University, University of Alaska Anchorage, University of Alaska Fairbanks, University of Alaska Southeast, and Prince William Sound Community College, are accredited by the Northwest Association of Schools and Colleges. Various schools and colleges at each institution are also accredited by their appropriate accrediting bodies.

ADMINISTRATION OF THE UNIVERSITY

BOARD OF REGENTS

Established in 1917 as the Board of Trustees and made the Board of Regents by an act of the Territorial Legislature on July 1, 1935, the Board of Regents is an autonomous organization and the highest authority in the administration of the University. The 11 member Board of Regents is governed by Title 14, Chapter 40, Article 2 of the Alaska Statutes, which provides for the appointment of the regents by the Governor of the State for overlapping terms of eight years, subject to confirmation by the Legislature. Provision for a student representative to the Board of Regents, with a term of two years, was made in 1975. Members of the Board of Regents are as follows:

Brian Rogers, Chair	**Mary Hughes, Vice Chair**
Frances Rose, Secretary	**Joseph E. Usibelli, Jr., Treasurer**
Jacob Gondek, Student Regent	**Cynthia Henry**
James C. Hayes	**Bob Martin**
Carl Marrs	**Timothy C. Brady**
Michael Snowden	

Board of Regents members receive no compensation for their services, but are reimbursed for expenses incurred in performing their duties.

BUSINESS AND FINANCE OFFICERS

The University's present business and financial officers are listed below, with biographical sketches following.

Mark R. Hamilton, President, UA
Joseph M. Beedle, Vice President for Finance, UA
Roger Brunner, General Counsel, UA
Randy Weaver, Controller, UA
Myron J. Dosch, Assistant Controller, Finance, UA
J. Mark Neumayr, Vice Chancellor for Administrative Services, UAF
Gebeyehu Ejigu, Ph. D., Vice Chancellor for Administrative Services, UAA
Carol L. Griffin, Vice Chancellor for Administrative Services, UAS

Mark R. Hamilton, became the 12th president of the University of Alaska in August 1998, having previously served as the commanding U.S. Army Major General of the U.S. Army Recruiting Center in Fort Knox, Kentucky. Mr. Hamilton served as deputy director for two years at Force Structure, Resources and Analysis at the Joint Staff in Washington, DC. In 1992-93, he was chief of staff of the Alaskan Command at Elmendorf Air Force Base near Anchorage and, in 1988-90, he was commander of division artillery at Fort Richardson, an Army base near Anchorage.

Mr. Hamilton received his B.S. degree from the U.S. Military Academy at West Point in 1967, and his M.A. in English literature from Florida State University in Tallahassee in 1973. He is also a graduate of the Armed Forces Staff College in Norfolk, Virginia, and of the U.S. Army War College in Carlisle, Pennsylvania.

Joseph M. Beedle was appointed Vice President for Finance in August 2000. Prior to joining the University, he served for six years as CEO for Goldbelt Incorporated, an Alaska corporation with $110 million in assets, $50 million in revenues, 600 employees, 3,100 shareholders and 18 subsidiaries with multi-state/international operations and investments in tourism, transportation, real estate, hospitality, resource development, finance and government contracting. Mr. Beedle also served for eight years as Executive Vice President/Senior Vice President for KeyBank Holding Company in Alaska, with full statewide responsibility for all credit/loan administration, as well as assignments to Keybank's Holding Company's nation-wide loan committee for large credits and its re-engineering/automation committee.

Roger Brunner was appointed General Counsel in March 2005. Prior to his appointment he worked in general practice specializing in contract law and real estate. He was admitted to the Alaska Bar Association in 1976. Mr. Brunner has been admitted to the U.S. District Court for the District of Alaska, the Ninth Circuit Court of Appeals and the United States Supreme Court. Mr. Brunner holds a B.S. from Michigan State University and a J.D. from the University of Notre Dame.

Randy L. Weaver, CPA, was appointed Controller for the University Statewide System on January 1, 1997. Prior to that appointment, he served as Interim Controller for two years after joining the University in 1989 as Director of Internal Audit. Prior to coming to the University, he served as an audit manager for a local CPA firm. Mr. Weaver graduated cum laude from the University of Alaska Fairbanks with a B.B.A. in Accounting in 1982.

Myron J. Dosch, CPA, was appointed Assistant Controller, Finance in March 2005 with primary responsibility for debt management. Mr. Dosch has ten years of experience with the University system – the last six years as the financial accounting manager for the University, and four years as the accounting manager for the University of Alaska Foundation. Mr. Dosch earned his B.B.A. in Accounting from Gonzaga University in 1990 and his M.B.A. with an emphasis in capital markets from the University of Alaska Fairbanks in 2002.

J. Mark Neumayr was appointed Vice Chancellor for Administrative Services at the University of Alaska Fairbanks (UAF) in December 2002. He earned a B.S. in Business Administration in 1975 and a J.D. in 1979 from the University of South Dakota. Mr. Neumayr worked as principal legal officer for a financial and real estate development firm in South Dakota before joining the University in 1982 as an Assistant General Counsel in the statewide General Counsel's office. Prior to his appointment at UAF he held the position of Senior Associate General Counsel for the UA system. He previously held the position of Associate General Counsel and has served as interim General Counsel for UA.

Gebeyehu Ejigu, Ph. D., was appointed Vice Chancellor for Administrative Services at the University of Alaska Anchorage in June 2004. Prior to coming to the University, he was the Executive Vice Provost at Arizona State University West for about 14 years. Dr. Ejigu also served in several administrative positions at the University of Missouri System from 1981 to 1990, where he last served as Associate Vice President for Management Services. Dr. Ejigu earned his bachelor's degree in Management from Haile Selassie I University in Addis Abada, Ethiopia, his M.B.A. from Syracuse University and his doctorate in Educational Administration from the University of Wisconsin-Madison.

Carol L. Griffin was appointed Vice Chancellor for Administrative Services at University of Alaska Southeast in August of 1999. She joined the University in 1980 as Assistant Professor of Public Administration. Ms. Griffin has held several positions at the University of Alaska Southeast including Director of Outreach Education, Director of Personnel and Affirmative Action and the Director of Administrative Services. Prior to coming to the University, Ms. Griffin was a researcher with the Bureau of Public Affairs Research at the University of Idaho. Ms. Griffin earned a M.P.A. from the University of Idaho in 1978.

FACULTY AND EMPLOYEES

The University's faculty and staff total approximately 4,184 regular employees and 3,597 temporary employees as of fall 2004. Members of the University's full-time regular instructional and research faculty total 1,204, 70.2% of which hold tenure or tenure-track faculty appointments as of fall 2004. Including part-time faculty, there were 319 professors, 315 associate professors, 539 assistant professors and 1,159 instructors as of fall 2004. For fiscal 2004, total University compensation with benefits was $319.2 million, including union affiliated employees. As of October 1, 2004, there were approximately 308 employees affiliated with the Alaska Community Colleges' Federation of Teachers (ACCFT), 877 employees affiliated with the American Association of University Professors/United Academics, 982 employees affiliated with the United Academic-Adjuncts, and 264 employees affiliated with the Alaska Higher Education Craft and Trade Employees. The University considers itself to have good relationships with its various employee groups.

THE STUDENT BODY

STUDENT ENROLLMENT

Ninety percent of the University students are residents of the State. The remaining students come from the other 49 states and several foreign countries.

The University believes enrollment will remain relatively stable because more Alaskan students are attending college in-state, greater numbers of non-traditional students are attending higher education institutions, and students are taking longer to acquire a baccalaureate degree. For the various academic years ending June 30, the University awarded the following degrees and certificates:

June	Doctorate	Masters	Baccalaureate	Associate	Certificates
2001	27	346	1,232	807	179
2002	19	354	1,281	855	187
2003	36	428	1,245	848	187
2004	20	501	1,288	925	224
2005 (prelim.)	25	571	1,304	793	220

Source: University of Alaska.

The following table indicates the total fall enrollment of undergraduate and graduate students, and the full-time equivalent and total annual credit hours for all students attending the University. Full-time equivalent is calculated on student standing regardless of the course level for which the credit is received.

Table 5
UNIVERSITY OF ALASKA
On Campus Fall Enrollment

	Head Count			Full-Time Equivalent			Total Annual Credit Hours
Fall	Under-graduate	Graduate	Total	Under-graduate	Graduate	Total	Taken
1998	29,515	1,591	31,106	14,068	865	14,933	219,468
1999	28,683	1,566	30,249	13,978	806	14,784	216,983
2000	28,848	1,632	30,480	14,099	840	14,939	219,265
2001	28,978	1,647	30,625	14,505	869	15,374	226,165
2002	31,549	1,967	33,516	15,507	1,118	16,625	243,770
2003	31,828	2,072	33,900	16,165	1,154	17,319	254,487
2004	30,520	2,191	32,711	16,303	1,151	17,454	256,567

Source: University of Alaska.

The University's enrollment policy specifies that it will admit into its baccalaureate program all students with a high school diploma and an overall grade point average of 2.0. The University's enrollment policy results in enrollment number changes much later in the fall semester than experienced at other universities. Closing figures for the fall semester are not available until January, but are monitored periodically during the semester.

Table 6 shows the number of applications accepted and the number of students enrolled for the fall semesters.

Table 6
UNIVERSITY OF ALASKA
Student Enrollment

Fall Semester	Applications Received	Accepted	Percent Accepted	Students Enrolled	Percent Enrolled
Freshman Student Enrollment					
2000	3,737	2,873	76.9%	2,455	85.5%
2001	4,146	3,075	74.2%	2,578	83.8%
2002	4,412	3,221	73.0%	2,679	83.2%
2003	5,106	3,386	66.3%	2,837	83.8%
2004	4,955	3,409	68.8%	2,819	82.7%
Transfer Student Enrollment					
2000	2,087	1,536	73.6%	1,253	81.6%
2001	2,267	1,625	71.7%	1,303	80.2%
2002	2,245	1,674	74.6%	1,315	78.6%
2003	2,622	1,769	67.5%	1,400	79.1%
2004	2,511	1,628	64.8%	1,272	78.1%
Total Undergraduate Student Enrollment					
2000	5,824	4,409	75.7%	3,708	84.1%
2001	6,413	4,700	73.3%	3,881	82.6%
2002	6,657	4,895	73.5%	3,994	81.6%
2003	7,728	5,155	66.7%	4,237	82.2%
2004	7,466	5,037	67.5%	4,091	81.1%
Total Graduate Student Enrollment					
2000	1,000	453	45.3%	412	90.9%
2001	1,160	543	46.8%	484	89.1%
2002	1,140	518	45.4%	458	88.4%
2003	1,289	527	40.9%	464	88.0%
2004	1,383	555	40.1%	499	89.9%

Source: University of Alaska.

TUITION AND FEES

Tuition is assessed on a per credit hour basis. There is no fee cap or consolidated fee.

Table 7
UNIVERSITY OF ALASKA
Student Tuition per Credit Hour

Student Classification	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Undergraduate lower div, resident	$77	$79	$82	$90	$99	$109
Undergraduate upper div, resident	87	90	93	102	112	123
Undergraduate lower div, nonresident	241	248	256	281	330	363
Undergraduate upper div, nonresident	251	259	267	293	343	377
Graduate, resident	172	178	184	202	222	244
Graduate, nonresident	336	347	358	393	453	498

Source: University of Alaska.

In September 2004 the Regents approved a 10% increase in tuition for resident and non-resident students for the 2005-2006 academic year. In September 2003, the Regents approved a policy change which requires an extension from one to two years for the time a student would need to be physically present in Alaska before qualifying for instate tuition. Registered students will continue under the policy that was in effect at the time of their registration.

The following table sets forth the average annual student tuition and registration fees for full-time students for the academic years indicated. Unless otherwise stated, figures reflect fees at the University of Alaska Fairbanks campus, which provide the substantially higher fees associated with resident population, health insurance, health services, recreation facilities, and a more active student government. In academic year 2005, average annual fees at Fairbanks were $1,190, compared to $352 at Anchorage.

Table 8
UNIVERSITY OF ALASKA
Average Annual Full-Time Student Tuition and Registration Fees*

Student Classification	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Undergraduate, resident	$3,420	$3,477	$3,597	$3,850	$ 4,355	$ 4,766
Undergraduate, nonresident	8,340	8,547	8,817	9,580	11,285	12,538
Graduate, resident	5,088	5,214	5,388	5,818	6,518	7,189
Graduate, nonresident	9,024	9,270	9,564	10,402	12,062	13,407

*Assumes registration fees at Fairbanks. Tuition is based on 15 credit hours per semester, with one half taken at the lower division rate and the other half taken at the upper division rate.

Source: University of Alaska.

TOTAL COSTS – UNDERGRADUATE RESIDENTS

The annual cost of room and board and the total educational costs for two semesters for a resident undergraduate student taking 15 credits of lower division (100 and 200 level) and 15 credits of upper division (300 and above) courses are shown in Table 9 on the following page. The figure is based on double-room, double-occupancy in a campus residence hall at the University of Alaska Fairbanks. Figures exclude travel.

Table 9
UNIVERSITY OF ALASKA
Annual Student Room and Board and Total Undergraduate Educational Costs

Academic Year (fall to summer)	2000 - 2001	2001 -2003	2002 -2003	2003 -2004	2004 -2005	2005 -2006
Room and Board	$4,610	$4,770	$4,950	$5,130	$ 5,210	$ 5,580
Tuition, Fees, Books and Supplies	4,070	4,127	4,247	4,430	4,955	5,466
Combined Total	$8,680	$8,897	$9,197	$9,560	$10,165	$11,046

Source: University of Alaska.

FINANCIAL AID STATISTICS AND COLLEGE SAVINGS PLAN

Financial aid for the last several fiscal years is shown below. A major component is assistance from the Alaska Student Loan Program, which is administered by the Alaska Commission on Post Secondary Education, an independent agency of the State. The program is funded through the proceeds of revenue bonds issued by the Alaska Student Loan Corporation which provides low interest rate loans to Alaska residents for post-secondary education in and outside of Alaska.

Table 10
UNIVERSITY OF ALASKA
Summary of Financial Aid
(Year Ended June 30)

	2000	2001	2002	2003	2004
Scholarships, Grants and Awards					
Federal – Pell Grants	$ 6,244,130	$ 6,357,221	$ 7,348,260	$ 8,500,155	$ 9,610,819
Federal – Other	593,258	735,928	687,717	951,579	916,252
UA Foundation	434,560	811,144	1,567,833	513,962	441,278
Institutional	4,196,975	5,581,592	7,064,819	7,555,763	8,163,411
Other	3,585,408	3,987,532	4,580,531	5,259,715	5,436,715
Total	$15,054,331	$17,473,417	$21,249,160	$22,781,174	$24,568,475
Loans					
Alaska Student Loans	$19,242,685	$17,200,133	$16,657,552	$13,162,182	$14,120,929
Federal	16,633,658	16,986,361	17,516,401	26,046,919	29,905,398
Other	148,160	226,950	185,073	189,775	426,543
Total	$36,024,503	$34,413,444	$34,359,026	$39,398,876	$44,452,870
Student Employment excluding overtime	$12,868,074	$13,294,508	$13,856,369	$15,300,617	$16,534,008
Total	$63,946,908	$65,181,369	$69,464,555	$77,480,667	$85,555,353

Source: University of Alaska.

Section 529 College Savings Plan. In 1991, the Alaska legislature established the Advance College Tuition program within the University of Alaska. The program was one of the first of what would eventually become known as Section 529 College Savings Plans. In 1997, the University modified the program to comply with Section 529 of the Internal Revenue Code. In 2001, the University converted the program from a prepaid tuition program to a full-range college savings and investment program and selected T. Rowe Price as program manager. The program is currently marketed in Alaska as the University of Alaska College Savings Plan and nationally as the T. Rowe Price College Savings Plan and the John Hancock Freedom 529 Plan. Since the new program was launched in May 2001, assets under management in the program have grown from $25 million to approximately $1.7 billion, with over 15,000 Alaskans having established accounts in the plan. Led by James F. Lynch, Associate Vice President for Finance, the University played a significant role in the consortium of states and universities that was instrumental in securing federal legislation recognizing this new investment vehicle for college savings. In February 2005, Morningstar, Inc. rated the University of Alaska College Savings Plan among the top three 529 plans in the nation based on costs, investment options, investment flexibility and customer service.

Eielson Air Force Base. On May 13, 2005 the federal Base Realignment and Closure "BRAC" Commission received recommendations from the Department of Defense to realign certain United States military facilities based on cost saving and other strategic military criteria. Eielson Air Force Base, about 30 miles southeast of Fairbanks, Alaska, is on the list for realignment. If realigned, one fighter wing would be reassigned, taking roughly 2,800 airmen and 36 jets off the base. Eielson would remain an active training base and an Air National Guard refueling wing would continue. Officially, Eielson would remain on "warm" status.

The BRAC will perform an independent analysis and forward its suggestions to the United States President and the public on September 8, 2005. By September 23, 2005 the President must either forward the report to the Congress or return it to the BRAC for further evaluation. If returned to the BRAC, it has until October 20, 2005 to resubmit its report to the President. The President then has until November 7, 2005 to submit the report to the Congress. Congress then has 45 days to accept or reject the report in full.

As part of its independent review of the recommendations, the BRAC held a hearing in Fairbanks on June 15, 2005 where a very large contingent of residents, public officials, and members of Congress testified before the BRAC. Eielson Air Force Base has one high school serving approximately 450 students and there are two elementary schools in the vicinity. Defense Department estimates show Eielson's realignment would mean a loss of 8.7 percent of jobs in the area. The University offers courses at Eielson through its military extension program, currently enrolling approximately 700 students, or 140 Full Time Equivalent. While there would be an economic loss to the Fairbanks community upon the potential base closure, the estimated enrollment or other impact to the University has not been estimated although students would be lost.

FACILITIES AND CAPITAL PROGRAM

LIBRARIES

The University's library collection contains more than 1.9 million book volumes with extensive collections housed at the Fairbanks, Anchorage and other sites. The University's system wide general library collection of books, periodicals and documents is approximately 1.2 million titles.

MUSEUMS

The new expanded University of Alaska Museum located on the Fairbanks campus is scheduled for opening in Fall 2005. This $42 million museum expansion project doubles the size of the existing museum to 81,000 gross square feet. Features of the museum will include a 28,000 square foot Research Center to house natural and cultural history collections and research laboratories for curators, collection managers and graduate students; a 10,000 square foot Rose Berry Alaska Art Gallery; a 3,000 square foot Learning Center featuring a pre-college education center, “smart classroom” for university students and an art study room and an enhanced visitor experience with a multimedia auditorium, lectures and performances by Alaska Native athletes and dancers.

The museum has more than 85,000 visitors annually and has the largest display of northern artifacts in the world, with extensive paleontology, aquatic, archaeological and ethnographic collections, including a preserved 36,000-year-old American bison, unearthed from permafrost in 1979, and other extremely rare exhibits.

RESIDENTIAL AND OTHER

The University maintains and operates 78 student residential buildings having a combined designed capacity of approximately 2,900 beds as well as an additional 30 faculty and staff housing units. Due to student demand, 286 double units have been temporarily converted into single units, leaving 2,625 beds available. Average occupancy ratio as utilized is 98% in the fall, and 88% in spring. Average occupancy ratio as designed is 88% in the fall, and 76% in spring. Approximately 45% of the student beds are new or newly renovated since July 1997. Other ancillary facilities of the University include a $60 million central co-generation power plant in Fairbanks, printing services and copy centers, motor pools, bookstores, health services and telecommunication centers.

PHYSICAL PLANT FOR ACADEMIC AND ADMINISTRATIVE ACTIVITIES

The table below sets forth the balance of non-depreciated book value of investments in physical properties. Adjusted value was calculated utilizing R.S. Means "Historical Cost Index" (209 Cities Index, Anchorage), adjusting project cost, including design, forward from original construction and/or revitalization date. Insured value of plant is higher than replacement value shown below.

Dec 31	Original Project Cost	Adjusted Gross Value	Square Feet	Buildings	Average Age weighted by GSF
2004	$861,213,262	$1,428,505,443	5,951,534	379	26.1 years

Infrastructure and other improvements have a historical cost of $53.9 million and adjusted gross value of $100.9 million.

CAPITAL PROGRAM

Major construction projects of the University are funded primarily by State of Alaska capital appropriations and University revenue bonds. State of Alaska capital appropriations for fiscal year 2006 total $48.1 million, including $21.6 million for the Integrated Science Facility in Anchorage, $10.0 million for a fisheries and ocean sciences facility in Juneau, and $16.5 million for renewal/renovation and other smaller projects.

While a significant part of the University's current capital budget is devoted to building renewal, code corrections and major repair, recent State legislative appropriations have provided $43.8 million to construct a 100,000 gross square foot addition to the library in Anchorage completed in August 2004, $8.0 million for a new classroom addition in Juneau completed in November 2002, and $15.5 million for a $42 million expansion of the University’s museum in Fairbanks to be completed in September 2005. The latter project also received $5 million in federal funds and $12.0 million in private contributions through the University’s largest capital campaign.

In April 2003, the State of Alaska issued $230 million of general obligation bonds for the replacement and improvement of education and museum facilities. This issue provides $61.7 million in capital construction for the University, including $4.8 million to construct a bio-medical facility in Anchorage, $38.9 million for initial construction phases for science complexes in Anchorage, Fairbanks and Juneau, and numerous campus renewal projects throughout the state. The University has no obligation to pay debt service on these bonds.

The Board of Regents has an ongoing capital program consisting of new construction and renovation of existing facilities. New executive leadership has provided the catalyst to revisit strategic plans, campus master plans, and the 6-year capital planning horizon essential to properly serve the needs of Alaska. For fiscal year 2007 through

2011, the capital plan totals $514 million, of which $208 million is new construction and $148 million is major renewal, while the remaining is for equipment, code and safety upgrades and minor renewals.

The University continues to monitor its deferred and imminent renewal needs. For fiscal year 2006, approximately $375 million has been identified as deferred or imminent renewal needs for the University's 6.0 million square feet of physical plant that has an adjusted gross value of approximately $1.4 billion.

RETIREMENT PLANS

Substantially all regular employees participate in either the Public Employees' Retirement System (PERS) or the Teachers' Retirement System (TRS), each of which is a multiple-employer public pension and retirement plan, or the University of Alaska Optional Retirement Plan (ORP), a single-employer defined contribution plan. In addition, substantially all permanent employees participate in the University of Alaska Pension Plan, a supplemental single-employer defined contribution plan. None of the retirement systems or plans owns any notes, bonds or other instruments of the University.

Participating employees are required to contribute a fixed percentage of their eligible compensation to the PERS or TRS plan. The University is required to contribute an amount based on the rates which have been set by the PERS and TRS boards after considering projections based upon actuarial computations. (For more information about the retirement plans, see Note 12 in Appendix A – University of Alaska Audited Financial Statements Fiscal Year Ending June 30, 2004). A summary of rates and contributions to the retirement plans follows:

Table 11
UNIVERSITY OF ALASKA
Summary of Retirement Contribution Information

	PERS	TRS	ORP	Pension	Total
Employee Contribution Rate					
FY04	6.75%	8.65%	8.65%	NA	
FY05	6.75%	8.65%	8.65%	NA	
FY06	6.75%	8.65%	8.65%	NA	
Employer Contribution Rate					
FY04	5.58%	12.00%	11.33%	7.65%	
FY05	10.58%	16.00%	13.00%	7.65%	
FY06[1]	15.58%	21.00%	16.33%	7.65%	
Employer Contributions ($ in thousands)					
FY04	$6,732	$4,860	$5,762	$12,658	$30,012
FY05 (unaudited)	$13,310	$7,070	$7,418	$13,341	$41,139
FY06 (budget)	$19,874	$9,426	$9,307	$13,705	$52,312

[1] ORP employer contribution in FY06 is 12.0% for employees hired after on or after July 1, 2005.

The last completed actuarial study for PERS and TRS was for the year ended June 30, 2003, which set the contribution rates for fiscal year 2006. Based on the June 2004 Supplement to that study the University funded ratio for PERS was 75%. Unlike PERS, TRS does not maintain individual employer funded ratios, however, the overall TRS funded ratio as actuarially determined at June 30, 2003 was 64 percent.

Recently enacted state legislation (Chapter 9 FSSLA 2005) will affect retirement benefits for new employees. The legislation would require all new eligible employees hired on or after July 1, 2006 to be participants in a newly created defined contribution retirement plan. Under the new plans, public employees would contribute 8% of compensation and employers will contribute 10.05% of compensation plus additional amounts (not all of which have yet been set) for certain medical insurance, disability and death benefits As part of the legislation, the existing PERS and TRS boards will be eliminated and replaced with the Alaska Retirement Management (ARM) Board, to be created October 1, 2005. Employees hired prior to July 1, 2006 will continue to accrue benefits under the existing defined benefit plans and, with respect to those plans, the employer will pay contribution rates set by the ARM Board. Pre-July 1, 2006, non-vested employees may elect to switch from the defined benefit to the appropriate defined contribution plan.

STATE APPROPRIATIONS TO THE UNIVERSITY

The University receives financial assistance for both operations and designated capital improvements through appropriations by the State Legislature.

The University is treated like a State agency for the purposes of budget and fiscal control. However, unlike State agencies, the University maintains its own treasury functions, collects its own revenues, invests its funds, and makes its own disbursements. Annually, the State Legislature appropriates authority to the University to receive and expend specified revenues up to specific levels or amounts. All revenues, except State general fund authorizations and other forms of State support, are received directly into the University's treasury. State funded authorizations are received from the State on a monthly basis at approximately one-twelfth of the annual operating authorization. State funded capital appropriations are generally received based on a reimbursement basis.

Transfers between appropriations without legislative authorization are strictly prohibited. However, legislative authorization for the expenditure of revenues received in excess of originally authorized levels may be obtained during the interim between legislative sessions under procedures specified by State statute.

Appropriations to the University are for two types: operating and capital. Operating appropriations authorize expenditure of all current revenues and lapse at the end of the fiscal year. State funded current revenues at this time include State general funds and funds from the Mental Health Trust Authority. Supplemental appropriations amend current year appropriations of the prior legislative session. Capital appropriations are generally for facilities, equipment or specified projects, and have an expiration date five years into the future unless extended.

The State Legislature may authorize operating and capital expenditures separately, together, or individually, but may not combine appropriations and substantive legislation in the same bill. Typically, however, operating and capital authorizations to the University are appropriated separately in general operating and capital budget bills. Additional authorizations to the current year operating budget are appropriated in a supplemental bill. Any of these bills may include “reappropriations” of balances remaining in prior operating or capital authorizations.

Although the Legislature can restrict any appropriation to a specified use, in the last decade, the annual operating appropriations for the University have been very broad in scope and contain few, if any, restrictions. Essentially the appropriated revenues must be expended prudently. The titles for supplemental, capital, and reappropriations are generally very specific as to the purpose for which they are appropriated and must be expended accordingly. The Governor has the authority to veto or reduce the amount of an appropriation, but does not have the authority to increase or to change the legislative intent or purpose of it.

Table 12
UNIVERSITY OF ALASKA
Summary of State Appropriations (1)
Fiscal Year Ending June 30
($'s in 000's)

	2002	2003	2004	2005	2006
Operating:					
General Operating Bill (1)	$198,426	$207,929	$212,514	$228,065	$245,165
Separate/Special Legislation(2)	3,170	3,207	5,231	4,725	4,436
Total	$201,596	$211,136	$217,745	$232,790	$249,601
Capital:					
Capital Expenditures - New	$ 13,000	$1,650	$ -	$ -	$33,450
Revitalization, Facility Renewal, Deferred Maintenance	16,215		3,641		14,050
Separate/Special Legislation(3)	450	62,454	450	450	550
Total	$29,665	$64,104	$ 4,091	$ 450	$ 48,050

1) Appropriations exclude receipt authority for other sources such as the Bonds, federal grants and contracts that may be used for operating activity, purchase of equipment or capital construction.

2) Fiscal years 2004, 2005 and 2006 each include $1.413 million in appropriations for a portion of the debt service on the Series K Bonds. Section 14.40.257 of the Alaska Statutes provides that the Legislature may annually reimburse the University for principal and interest on $20.40 million of the principal amount of the Series K Bonds. Fiscal 2004 was the first year that the University was eligible for this appropriation. This appropriation occurs in the portion of the budget that provides for payments on state supported debt for lease-purchase financing obligations and payments to municipalities for municipal general obligation bonds issued for school construction.

3) Fiscal 2003 capital appropriations include $61.7 million that is being provided to the University as a result of the $230 million in State of Alaska general obligation bonds that the voters authorized in November, 2002 and that the State issued in April, 2003.

Source: University of Alaska.

LAND GRANT

In July 2005, the Governor signed legislation approving a transfer of approximately 250,000 acres of Alaska land to the University. The lands will be conveyed to the University over the next three years. The intent of the Legislature was to provide the University with an equitable land grant originally envisioned in the federal land grant of 1915 and that the University take ownership of a significant portfolio of income producing land to provide support to public higher education in the State of Alaska.

The land includes approximately 75,000 acres of investment property located throughout the State, 90,000 acres of oil and gas property in the Nenana Basin (70 miles southwest of Fairbanks) and approximately 85,000 acres of educational/research related properties. Proceeds and royalties received from the property development will be deposited into the University's Land Grant Endowment Trust Fund, the earnings from which provide unrestricted funding to the University. In accordance with Generally Accepted Accounting Principles the lands will be recorded at zero basis since there is no determinable market value.

GIFTS, FUND RAISING AND ENDOWMENTS

By Board of Regents policy, all gifts to the University are received and invested by the University of Alaska Foundation. The University also directly solicits grants and contracts related to its mission without Foundation involvement. The University's private gift fund raising efforts are directed toward ongoing annual programs and toward the building of endowments.

THE UNIVERSITY OF ALASKA FOUNDATION

The Foundation is a public nonprofit corporation established in 1974 to solicit, manage, and invest donations for the exclusive benefit of the University. The Foundation is a tax-exempt organization as described in Subsection 501(c)(3) of the Internal Revenue Code, and donations made to the Foundation are deductible according to schedules established under income and estate tax regulations.

The Foundation is legally separate and distinct from the University of Alaska and is governed by its own board of trustees. This thirty-one member board establishes the Foundation's investment policy for the endowments, manages donated property and oversees the distribution of the Foundation's assets to its sole beneficiary, the University system. A separately appointed Investment Committee manages the Foundation’s investments. No administrative fees are charged by the Foundation for funds under its care so every dollar of a gift to the Foundation is used as intended by the donor. Most scholarship, endowment and other privately established funds to benefit the University are under the care of the Foundation.

In fiscal 1998, the Foundation established the Consolidated Fund to combine for investment purposes the University’s Land Grant Endowment Trust Fund and the Foundation’s Pooled Endowment Fund. The Consolidated Fund is managed by the Foundation under agreement with the University, and each year a separate financial statement and audit is made of the Consolidated Fund.

Table 13
UNIVERSITY OF ALASKA FOUNDATION
Summary Finanical Information

	2000	2001	2002	2003	2004
Revenues, gains and other support					
Donations and Bequests	$ 12,878,129	$ 34,429,233	$ 11,829,850	$ 13,365,460	$ 14,166,842
Investment income	2,202,246	3,195,183	3,100,716	2,478,462	2,915,211
Net realized and unrealized gains and losses	3,293,361	(1,331,851)	(5,201,138)	574,472	5,968,566
Other (includes transfers from the University)	460,222	128,410	142,201	103,996	366,214
Actuarial adjustment of remainder trust obligations			12,142	(17,854)	(25,797)
Total	$ 18,833,958	$ 36,420,975	$ 9,871,629	$ 16,504,536	$ 23,391,036
Distributions to the University	$ 4,547,696	$ 4,861,733	$ 7,356,973	$ 8,860,778	$ 12,058,245
Net Assets:					
Unrestricted	$ 13,559,390	$ 21,368,111	$ 22,665,822	$ 25,943,362	$ 29,438,405
Temporarily restricted	35,004,983	42,200,804	41,113,725	47,578,633	50,961,840
Permanently restricted	21,681,812	38,545,838	41,653,875	39,613,953	43,786,375
Total Net Assets	$ 70,246,185	$102,114,753	$105,433,422	$113,135,948	$124,186,620

Source: University of Alaska Foundation Audited Financial Statements.

ENDOWMENT FUNDS

As of June 30, 2004, the University held financial and real estate endowment net assets of $135.2 million separate from the Foundation. Of this amount $134.1 million represented Land Grant Trust Fund net assets held by the University. Prior to April 1997, the State Department of Revenue held the Land Grant Trust funds and distributed earnings quarterly. Effective July 1, 1997, those funds were transferred to the University, and the Board of Regents adopted a total return endowment management and investment policy, and by agreement with the University of Alaska Foundation, authorized the Foundation to manage the trust funds in accordance with that policy.

Among the assets of the Land Grant Trust funds are, as of June 30, 2004, 84,000 acres of approximately 110,000 acres originally gifted by Congress in 1915 and 1929 to the University which the territory, and later the State, managed on behalf of the University. No value or basis was assigned to these properties for financial statement purposes because the fair market value at the date of acquisition was not determinable.

In 1982 and 1988 the University entered into settlement agreements with the State that allowed the University to select other State lands including limited timber, agricultural, surface and subsurface rights with a market value of $21.0 million and $24.5 million, respectively. The $45.5 million settlement was in exchange for University lands which were disposed of or adversely affected during the period of administration by the territory and the State. As these real estate assets have been sold, real property has been reduced to a current balance (included in Table 13 with “Real Property and “Land Sale Receivables”) of approximately $35.5 million and approximately $5.2 million in installment sales contracts receivable, as of June 30, 2004.

Funds derived from the net sales, leases, exchanges and transfers of the University's trust lands must be deposited for investment in the University's land-grant endowment trust fund as provided by AS 14.40.400. Assets of the fund are invested and earnings of the fund are made available to the University for expenditure in accordance with principles established under AS 14.25.180, Board of Regents' policy and University regulations which provide: (1) that a portion of the annual earnings will be utilized to manage the University's lands, (2) that a portion of the annual earnings will be set aside in order to maintain the purchasing power of the endowment funds, and (3) a portion will be designated as a spending allowance to be transferred to the Natural Resources Fund for the purpose of funding programs in support of agriculture, fisheries, natural resource management, development and marketing, and natural resource management education, and other University programs. The annual spending allowance of the Land Grant Trust Fund is based on five percent of a five year moving average of the invested balance. Withdrawals of net earnings to meet the spending allowance are limited to the unexpended accumulated net earnings of the endowments.

Table 14
UNIVERSITY OF ALASKA
Endowment Fund - Summary Financial Information
Fiscal Years Ending June 30
(in $000's)

	2000	2001	2002	2003	2004
Unrestricted Endowment Income	$ 4,558	$ 5,906	$ 5,214	$ 4,385	$ 4,406
Land Grant Trust Assets					
Cash and Investments	$ 79,588	$ 80,268	$ 73,442	$ 79,351	$ 91,238
Land Sale Receivables	5,766	5,626	5,283	5,802	5,212
Real Property	38,867	37,791	37,585	36,177	35,524
Other	2,428	2,096	1,696	2,472	2,124
Total Land Grant Trust Net Assets	$126,649	$125,781	$118,006	$123,802	$134,098
Other Endowment Fund Net Assets	722	717	904	1,084	1,084
Total Endowment Net Assets	$127,371	$126,498	$118,910	$124,886	$135,182

Source: University of Alaska

FUND RAISING AND DEVELOPMENT

While the Foundation was established to solicit donations, actual development efforts are decentralized, occurring primarily at the campus level. A statewide office of development was created in fiscal year 2003 to provide a coordinated development function between the campuses. Priority attention has been given to measuring results; annual development planning that is in line with and driven by campus-specific strategic plans; prospect management; donor stewardship; and corporate and foundation relations. Leadership has made a commitment to elevating the advancement functions at all campuses, placing emphasis on alumni relations, marketing and fundraising.

Over the past year, the University of Alaska Fairbanks has undergone a strategic assessment to create an advancement structure that can move the institution forward with constituents. The result has been the creation of the Office of Advancement. A search is underway for a director of development. In addition, fundraising positions will be added with direct responsibility for pro-active fundraising results.

The University of Alaska Anchorage has developed a well-functioning development team. Over the last three years, development positions have been added, and resources have been committed to the advancement function. In fiscal year 2005, UAA met 93 percent (cash and pledges) of their $12 million campaign goal. This is the first campaign for UAA.

The University of Alaska Southeast continues to engage the community and its alumni through strong outreach and community engagement efforts. Results continue to be favorable. In the year, the campus dedicated resources to fully staff the office, adding an alumni officer and reconfiguring positions to create a donor relations office.

The UA Foundation has engaged the Association of Governing Boards for Universities & Colleges to conduct a strategic review of the Foundation. The review will include an assessment of the Foundation's current organizational structure as it relates to development.

GRANTS AND CONTRACTS

Research programs at the University take advantage of the University's unique locations in the sub-Arctic of Alaska, with access to the Pacific Ocean, the Arctic Ocean, glaciers and permafrost areas.

Over 90% of the research activities at the University take place on the Fairbanks campus and its outlying research sites. Major recipients were the Geophysical Institute, the School of Fisheries and Ocean Sciences, the Institute of Northern Engineering, the Agricultural and Forestry Experiment Station, and the Institute of Arctic Biology. Major contributors were the National Science Foundation, National Oceanic and Atmospheric Administration, the Department of Agriculture, the Department of Commerce, the Department of Energy and the Department of Defense.

In addition to research carried out in its academic departments, the University has a number of research centers that focus upon problems of the Arctic. These include the International Arctic Research Center that was established in 1999 with bi-lateral collaboration from a Japanese non-profit organization to conduct research on the Arctic and global climate change; the environmental impact of human activities; the development of renewable and non-renewable resources; energy sources and the cultural understanding and preservation of peoples of the North. Major initiatives continue in the areas of health and the biological and biomedical sciences with the support of the National Institute for Health's programs such the Experimental Program for Stimulating Competitive Research (EPSCoR) and Center for Biomedical Research Excellence (COBRE).

Table 15 provides information on grants and contracts for operating activities over the past several fiscal years identified by source. Capital grants and contracts are also identified on Table 15. The recovery of Indirect Costs, a component of Pledged Revenues shown on Table 2, is included as part of the revenues associated with grants and contracts shown on Table 15.

Table 15
UNIVERSITY OF ALASKA
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2004, 2003, 2002 and 2001
(in thousands)

	2004	2003	2002	2001
Operating revenues				
Student tuition and fees	$ 67,756	$ 59,825	$ 54,245	$ 50,434
less tuition allowances	(6,260)	(5,256)	(5,358)	(4,713)
	61,496	54,569	48,887	45,721
Federal grants and contracts	133,897	115,996	97,356	77,191
State grants and contracts	10,520	11,775	12,542	10,425
Local grants and contracts	3,313	3,547	3,700	3,055
Private grants and contracts	36,641	38,617	35,218	37,797
Federal appropriations	2,758	2,214	1,296	962
Local appropriations	705	705	705	715
Sales and services, educational departments	3,415	3,681	3,677	3,798
Sales and services, auxiliary enterprises, net of tuition allowances of $1,298, $1,151, $1,266 and $1,113	34,605	32,283	29,685	27,542
Other	12,327	11,739	11,237	12,994
Total operating revenues	299,677	275,126	244,303	220,200
Operating expenses				
Instruction	144,115	134,192	124,040	111,543
Academic support	37,095	34,279	30,443	27,721
Research	112,013	107,615	97,193	81,327
Public service	26,216	24,967	22,267	20,053
Student services	33,002	31,323	28,709	26,175
Operations and maintenance	39,184	40,291	42,210	35,634
Institutional support	50,290	53,529	56,132	52,234
Student aid	13,052	10,441	9,405	7,616
Auxiliary enterprises	33,786	31,827	28,891	28,237
Depreciation	60,483	59,684	57,764	55,460
Total operating expenses	549,236	528,148	497,054	446,000
Operating loss	(249,559)	(253,022)	(252,751)	(225,800)
Nonoperating revenues (expenses)				
State appropriations	217,745	211,152	201,596	190,650
Investment earnings	1,674	2,411	2,188	5,074
Endowment proceeds and investment income	16,187	11,745	(1,812)	5,451
Interest on debt	(3,394)	(2,936)	(2,886)	(3,057)
Other nonoperating expenses	(1,506)	(1,108)	(3,363)	(2,603)
Net nonoperating revenues	230,706	221,264	195,723	195,515
Loss before other revenues, expenses, gains or losses	(18,853)	(31,758)	(57,028)	(30,285)
Capital appropriations, grants and contracts	86,570	79,640	44,429	23,112
Additions to permanent endowments	-	-	127	-
Net increase (decrease) in net assets	67,717	47,882	(12,472)	(7,173)
Net assets				
Net assets - beginning of year	782,514	734,632	747,104	754,277
Net assets - end of year	$ 850,231	$ 782,514	$ 734,632	$ 747,104

Source: Audited Financial Statements.

Table 16
UNIVERSITY OF ALASKA
Statements of Net Assets
Fiscal Years Ending June 30, 2004, 2003, 2002 and 2001
(in thousands)

Assets	2004	2003	2002	2001
Currents assets:				
Cash and cash equivalents	$ 41,815	$ 22,147	$ 17,178	$ 33,835
Short-term investments	1,231	1,215	1,147	22,333
Accounts receivable, less allowance				
of $3,990, $4,118, $4,257 and $4,720	57,974	74,926	62,895	48,832
Other assets	640	1,254	1,214	228
Inventories	8,061	7,644	6,906	7,014
Total current assets	109,721	107,186	89,340	112,242
Noncurrent assets:				
Restricted cash and cash equivalents	19,164	21,577	9,755	6,296
Notes receivable	5,212	5,802	5,283	5,626
Endowment investments	93,834	81,579	75,430	82,452
Other endowment assets	38,358	38,953	40,473	40,657
Long-term investments	20,694	20,350	19,029	4,563
Assets held in trust	5,698	5,458	5,017	5,806
Capital assets, net of accumulated depreciation	760,757	703,855	651,268	650,323
Total noncurrent assets	943,717	877,574	806,255	795,723
Total assets	1,053,438	984,760	895,595	907,965
Liabilities				
Current liabilities:				
Accounts payable	13,246	20,677	10,825	12,647
Accrued expenses	4,156	3,576	2,893	1,861
Accrued payroll	13,563	11,486	10,475	11,223
Deferred revenue	3,553	3,331	3,479	2,701
Accrued annual leave	8,152	7,968	7,563	7,075
Deferred lease revenue - current portion	1,281	1,281	1,281	1,281
Long-term debt - current portion	4,855	4,354	3,903	4,153
Insurance and risk management	18,591	19,421	19,578	16,947
Deposits from students and others	2,234	2,453	2,554	2,199
Total current liabilities	69,631	74,547	62,551	60,087
Noncurrent liabilities:				
Capital appropriation advances	8,633	14,684	8,946	6,678
Deferred lease revenue	11,209	12,490	13,771	15,052
Long-term debt	108,239	95,961	70,025	73,536
Security deposits on long-term contracts	5,495	4,564	5,670	5,508
Total noncurrent liabilities	133,576	127,699	98,412	100,774
Total liabilities	203,207	202,246	160,963	160,861
Net Assets				
Invested in capital assets, net of related debt	648,016	602,274	564,771	558,868
Restricted:				
Expendable:				
Restricted funds	1,512	1,551	1,830	2,467
Student loan funds	259	716	922	915
Education Trust of Alaska	4,843	5,463	5,028	5,263
Capital projects	2,925	3,584	4,227	5,188
Debt service	3,092	3,283	2,509	2,509
Endowment	23,960	16,505	18,115	26,296
Nonexpendable	111,142	108,303	100,716	100,123
Unrestricted	54,482	40,835	36,514	45,475
Total net assets	$ 850,231	$ 782,514	$ 734,632	$ 747,104

Source: Audited Financial Statements.

CERTAIN LEGAL MATTERS

Legal matters incident to the issuance of the Bonds and the exclusion from gross income for federal income tax purposes of interest on the Bonds are subject to the approving legal opinion of Wohlforth, Johnson, Brecht, Cartledge & Brooking, P.C. Anchorage, Alaska, Bond Counsel to the University, which is expected to be delivered at the delivery of the Bonds. (See "TAX EXEMPTION" below and the form of opinion of Bond Counsel attached hereto as Appendix C).

TAX EXEMPTION

In the opinion of Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions and assuming, among other things, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes.

Bond Counsel is also of the opinion based on existing laws of the State as enacted and construed that interest on the Bonds is excluded from taxation by the State except for transfer, estate and inheritance taxes.

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 Bonds. The University has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has 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 Bonds may adversely affect the tax status of interest on the Bonds.

Although Bond Counsel will render an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, such Bonds may otherwise affect an owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner’s particular tax status and the owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Tax Treatment of Original Issue Discount

The initial public offering price for certain maturities of the Bonds is less than the amount payable at maturity. This difference between the initial public offering price and the amount payable at maturity constitutes original issue discount. In the opinion of Bond Counsel, the appropriate portion of the original issue discount that is allocable to the original and each subsequent holder is treated as interest upon sale, exchange, redemption, or payment at maturity of such Bond and is excluded from gross income for federal income tax purposes under existing law to the same extent as the stated interest on the Bonds.

Tax Treatment of Premium

The initial public offering price for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity. Bond counsel expresses no opinion with respect to the treatment of this excess. Investors should seek advice thereon from their own tax advisors.

ABSENCE OF LITIGATION

At the time of the original delivery of the Bonds, the University will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending, or, to the knowledge of the appropriate University Officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the legislation authorizing the issuance of the Bonds, or the collection of revenues and fees for the payment of the debt service on the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

FINANCIAL ADVISOR

The University has retained Kaplan Financial Consulting, Inc. as financial advisor in connection with the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Kaplan Financial Consulting, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

RATINGS

Moody's Investors Service and Standard and Poor's, a Division of The McGraw Hill Companies, Inc. will assign their municipal bond ratings of "Aaa" and "AAA" respectively to the Bonds. These ratings are conditioned upon the delivery by MBIA Insurance Company of its standard form of Municipal Bond New Issue Insurance Policy for the Bonds. Prior to the public sale of the Bonds, Moody's Investors Service and Standard and Poor's had assigned their municipal bond ratings of "A1" and "AA-" respectively to the Bonds. Such ratings reflect only the respective views of the rating organizations and an explanation of the significance of the ratings may be obtained from the rating agencies as follows: Moody’s Investors Service, Inc., 99 Church Street, New York, New York 10007, (212) 553-0030; Standard & Poor’s, a Division of The McGraw-Hill Companies, 25 Broadway, New York, New York 10004, (212) 208-8000.

There is no assurance that such ratings will be maintained for any given period of time or that one or both ratings may not be changed, suspended or withdrawn entirely by the Rating Agencies, if in their or its judgment, circumstances warrant. Ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of information. Any such change in or suspension of or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants, will deliver to the University, on or before the delivery date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Treasury Securities, to pay, when due, the maturing principal of, interest on and related redemption requirements of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the University and its representatives. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the University and its representatives and has not evaluated or examined the assumptions or information used in the computations.

FINANCIAL STATEMENTS

The financial statements of the University for the fiscal year ended June 30, 2004, were examined by KPMG LLP, independent certified public accountants, whose report thereon appears therein in Appendix A. The auditors were not requested to review this Official Statement.

UNDERWRITING

The University offered the Bonds at public sale on August 16, 2005. Sovereign Securities Corp., LLC (the "Underwriter") submitted the best bid at the sale of the Bonds. The University awarded the contract for sale of the Bonds to the Underwriter at a price of $25,176,477.69 (reflecting an underwriting discount of $39,783.31, a bond insurance premium of $83,700 and net original issue premium of $944,961). The Underwriter has represented to the University that the Bonds have been subsequently re-offered to the public initially at the yield or price set forth on the cover of this Official Statement.

CONTINUING DISCLOSURE

Pursuant to Securities and Exchange Commission Rule 15c2-12, under the Securities and Exchange Act of 1934, as the same may be amended from time to time (the "Rule"), the University will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix D for the benefit of the beneficial owners of the Bonds. The University is in compliance with its prior written undertakings under the Rule.

MISCELLANEOUS

The foregoing summaries, descriptions and references do not purport to be comprehensive or definitive, and such summaries, descriptions and references are qualified in their entirety by reference to each statute, document, exhibit or other materials summarized or described. The instruments and other materials referred to in this Official Statement may be examined, or copies thereof will be furnished in reasonable amounts, upon written request to the Statewide Finance Office of the University of Alaska, 910 Yukon Drive, Suite 207, P.O. Box 755120 Fairbanks, Alaska 99775-5120.

Statements made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

The Appendices are integral parts of this Official Statement and must be read with all other parts of this Official Statement.

EXECUTION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement has been authorized by the University. This Official Statement is not to be construed as a contract or agreement between the University and the purchasers or holders of the Bonds.

UNIVERSITY OF ALASKA

By /s/ Joseph M. Beedle

Vice President for Finance

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APPENDIX A

UNIVERSITY OF ALASKA
AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED
JUNE 30, 2004

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UNIVERSITY OF ALASKA

(A Component Unit of the State of Alaska)

Financial Statements

June 30, 2004 and 2003

(With Independent Auditors' Report Thereon)

University of Alaska
(A Component Unit of the State of Alaska)
Financial Statements
June 30, 2004 and 2003

Table of Contents

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Alaska (university) for the years ended June 30, 2004 (fiscal year 2004) and June 30, 2003 (fiscal year 2003), with selected comparative information for the year ended June 30, 2002. This discussion has been prepared by management and should be read in conjunction with the financial statements including the notes thereto, which follow this section.

Using the Financial Statements

The university's financial report includes the basic financial statements of the university and the financial statements of the University of Alaska Foundation (foundation), a legally separate, non profit component unit. The three basic financial statements of the university are: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements are prepared in accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) pronouncements. The university is presented as a business-type activity as prescribed by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis – for Public Colleges and Universities*. The statement establishes standards for external financial reporting for public colleges and universities and classifies resources into three net asset categories – unrestricted, restricted, and invested in capital assets, net of related debt.

Commencing in fiscal year 2004, the University of Alaska Foundation is presented as a component unit of the university in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The university's fiscal year 2003 financial statements have been restated to conform to the requirements of GASB Statement No. 39. The foundation's financial statements include the Statement of Financial Position and the Statement of Activities and these statements are presented as originally audited according to generally accepted accounting principles and Financial Accounting Standards Board (FASB) pronouncements.

The foundation was established to solicit donations and to hold and manage such assets for the exclusive benefit of the university. Resources managed by the foundation and distributions made to the university are governed by the foundation's Board of Trustees (operating independently and separately from the university's Board of Regents). The component unit status of the foundation indicates that significant resources are held by the foundation for the sole benefit of the university. However, the university is not accountable for, nor has ownership of, the foundation's resources.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the university at the end of the fiscal year and includes all assets and liabilities of the university. The difference between total assets and total liabilities (net assets) is one indicator of the financial condition of the university, while the change in net assets is an indicator of whether the financial condition has improved or declined during the year. A summarized comparison of the university's assets, liabilities and net assets at June 30, 2004, 2003 and 2002 follows (in thousands):

	2004	2003	2002
Assets:			
Current assets	$ 109,721	$ 107,186	$ 89,340
Other assets	182,960	173,719	154,987
Capital assets, net of depreciation	760,757	703,855	651,268
Total assets	1,053,438	984,760	895,595
Liabilities:			
Current liabilities	69,631	74,547	62,551
Noncurrent liabilities	133,576	127,699	98,412
Total liabilities	203,207	202,246	160,963
Net assets			
Invested in capital assets, net of debt	648,016	602,274	564,771
Restricted – expendable	36,591	31,102	32,631
Restricted – nonexpendable	111,142	108,303	100,716
Unrestricted	54,482	40,835	36,514
Total net assets	$ 850,231	$ 782,514	$ 734,632

The financial position of the university improved during fiscal year 2004. This is primarily evidenced by the overall growth in net assets of $67.7 million, or 8.7 percent. Unrestricted net assets, a common indicator of financial strength or flexibility, increased 33.4 percent to $54.5 million at June 30, 2004. Other indicators of an improved financial position include an increase in working capital, reduced accounts receivable, and growth in endowment investments. Despite new general revenue bond issues of $21.0 million, reductions in accounts payable and consumption of advanced capital appropriations resulted in total liabilities increasing by only $1.0 million. Each of these changes is discussed in more detail in the sections that follow.

Working capital (current assets less current liabilities) over the past year increased from $32.6 million to $40.1 million. Working capital at year end represents 27 days of operating expenses, as compared to 23 days in 2003. The improvement can be attributed primarily to the increase in tuition revenue.

Net accounts receivable decreased 23 percent, from $74.9 million at June 30, 2003 to $58.0 million at June 30, 2004. The decrease is primarily due to capital project receivables decreasing by $10.6 million to $11.7 million at June 30, 2004. The other components of accounts receivable consist of those from operations, such as tuition and fees and sponsored programs (primarily research). Days of operating revenue in accounts receivable from operations decreased from 70 in 2003 to 56 in 2004. Management is continuing to work on improving the billing and collection process. See Note 4 of the financial statements for accounts receivable detail.

The decrease in accounts payable from $20.7 million at June 30, 2003 to $13.2 million at June 30, 2004 is a reflection of the decrease in capital construction activity in process at year end. At June 30, 2004, construction activity constituted about half, or $6.7 million, of the accounts payable balance and in the prior year it represented $10.4 million. The remaining accounts payable balance represents amounts due for recurring supplies and services for operations.

Capital appropriations advanced from the state prior to expenditure totaled $8.6 million at June 30, 2004, down from $14.7 million at June 30, 2003. This decrease was primarily due to the expenditure of $5.5 million for the Hutchison Career Center expansion and renovation, which was nearly complete at June 30, 2004. Further discussion of capital activity is in the *Capital and Debt Activities* section that follows.

Unrestricted net assets increased $13.6 million from June 30, 2003 to June 30, 2004. At year end, $37.9 million of the $54.5 million total is designated by the Board of Regents for specific purposes or otherwise limited by contractual agreements with external parties. See Note 2 of the financial statements for a detailed list of these designations.

Fiscal Year 2003 Comparisons (Statement of Net Assets)

For comparative purposes, significant comments about changes between 2002 and 2003 that were noted in fiscal year 2003 Management's Discussion and Analysis are summarized below:

Major changes from 2002 to 2003 on the Statement of Net Assets include those with accounts receivable, working capital and accounts payable. Net accounts receivable increased 19 percent, from $62.9 million at June 30, 2002, to $74.9 million at June 30, 2003. The growth was primarily due to the increase in receivables from cost reimbursable construction contracts, which grew from $8.9 million in 2002 to $22.3 million in 2003. Working capital (current assets less current liabilities) increased from $26.8 million at June 30, 2002 to $32.6 million at June 30, 2003. Working capital at June 30, 2003 represented 23 days of operating expenses, as compared to 20 days in 2002. The improvement could be attributed to a reduced level of spending in anticipation of increases in benefit rates for health care and anticipation of less growth in annual state appropriations in future years. The increase in accounts payable from $10.8 million at June 30, 2002 to $20.7 million and June 30, 2003 was a reflection of the significant capital construction activity in process at June 30, 2003. Accounts payable for construction activity constituted about half, or $10.4 million, of the accounts payable balance at June 30, 2003.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the university as a whole. Revenues, expenses and other changes in net assets are reported as either operating or nonoperating. Significant recurring sources of university revenue, such as state appropriations and investment earnings, are defined by GASB Statement No. 35 as nonoperating. A summarized comparison of the university's revenues, expenses and changes in net assets for the years ended June 30, 2004, 2003 and 2002 follows (in thousands):

	2004	2003	2002
Operating revenues	$ 299,677	$ 275,126	$ 244,303
Operating expenses	(549,236)	(528,148)	(497,054)
Operating loss	(249,559)	(253,022)	(252,751)
Net nonoperating revenues	230,706	221,264	195,723
Loss before other revenues, expenses, gains, or losses	(18,853)	(31,758)	(57,028)
Other revenues, expenses, gains or losses	86,570	79,640	44,556
Increase (decrease) in net assets	67,717	47,882	(12,472)
Net assets at beginning of year	782,514	734,632	747,104
Net assets at end of year	$ 850,231	$ 782,514	$ 734,632

The Statement of Revenues, Expenses and Changes in Net Assets reflects an overall increase in net assets of 8.7 percent, or $67.7 million. The primary factor for the increase in net assets is attributed to $86.6 million revenue recognized from capital funding sources, such as state capital appropriations. Revenue from capital sources is generally recognized as expenditures for capital projects occur. Fiscal year 2004 represents a year of significant capital construction activity as discussed further in the *Capital and Debt Activities* section which follows.

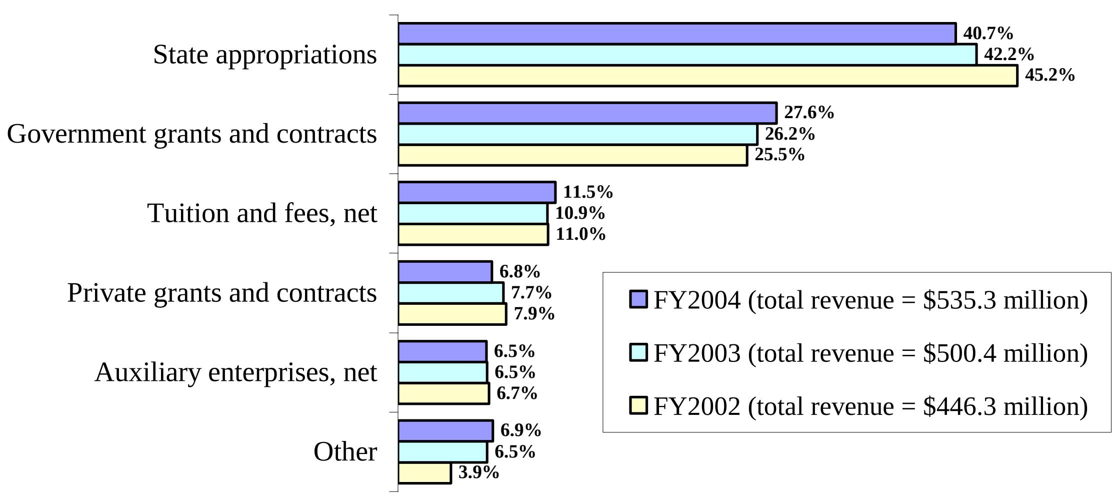
Student enrollment and tuition rate increases for the 2003-2004 academic year provided for gross student tuition and fee revenue of $67.8 million in fiscal year 2004 as compared to $59.8 million in fiscal year 2003. This was due in large part to a 10 percent increase in tuition rates for academic year 2003-2004. Student full-time equivalent enrollment for Fall 2003 was 17,319, a 4.2 percent increase from the prior Fall period.

Endowment proceeds and investment income contributed positively to the increase in net assets by providing $16.2 million in 2004 as compared to $11.8 million in 2003. A significant component of these amounts is investment income, generated from the endowment principal. Total return from the endowment was approximately 14 percent, or $10.6 million, in 2004 as compared to a 1 percent return, or $0.9 million, in the prior year. The other major component in this category is yield from, or sales of, trust land, timber and mineral interests, the net proceeds of which are required to be deposited to the land grant endowment trust fund. These sources generated revenue of $5.6 million in 2004 as compared to $10.9 million in 2003. The decrease was primarily due to poor market conditions for timber production leading to decreased timber sales.

State of Alaska general fund appropriations continue to be the single major source of revenue for the university, providing $217.7 million in 2004, as compared to $211.2 million in 2003. Historically, the Legislature has funded the university at an amount equal to or above the prior period's appropriation.

A comparison of operating and nonoperating revenues by source for fiscal year 2004, 2003 and 2002 follows:

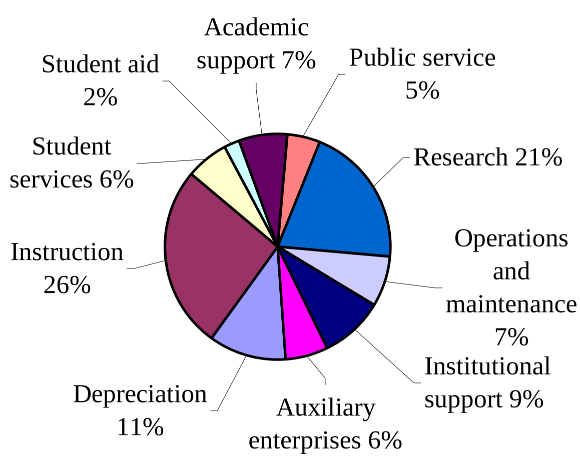
Operating and Nonoperating Revenues (excluding capital) by Year



Revenues from federal and other sources for sponsored research and education-related programs increased 9 percent, from $169.9 million in 2003 to $184.4 million in 2004. Facility and administrative cost recovery provided $29.7 million in 2004 as compared to $26.5 million in 2003. This increased funding enables the university to expand existing programs and start new programs, like those in fisheries, data analysis and basic research. In addition to supporting new programs, facility and administrative cost recovery reimburses the university for facilities and administrative costs necessary to operate and support sponsored programs, and provides cash flow to service debt on, and renew, research facilities.

A comparison of operating expenses by functional and natural classification for selected fiscal years follows (see Note 16 of the financial statements for more information):

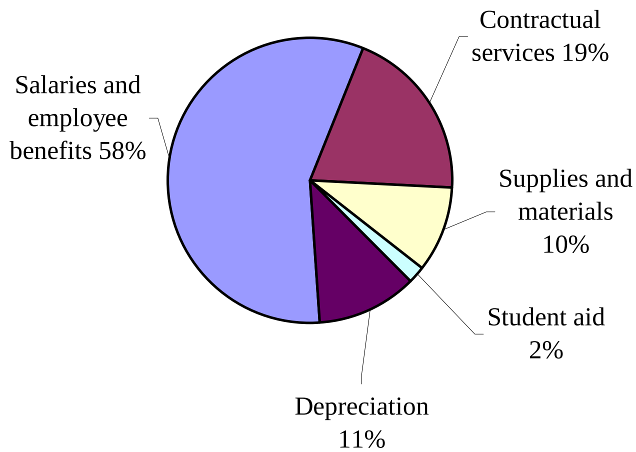
Fiscal Year 2004
Functional Classification



Operating Expenses
Functional Classification (in millions)

	FY2004		FY2003		FY2002	
Instruction	$144.1	26.2%	$134.2	25.4%	$124.0	24.9%
Student Services	33.0	6.0%	31.3	5.9%	28.7	5.8%
Student Aid	13.0	2.4%	10.4	2.0%	9.4	1.9%
Academic Support	37.1	6.8%	34.3	6.5%	30.4	6.1%
Public Service	26.2	4.8%	25.0	4.7%	22.3	4.5%
Research	112.0	20.4%	107.6	20.4%	97.2	19.6%
Operations and Maintenance	39.2	7.0%	40.3	7.7%	42.2	8.5%
Institutional Support	50.3	9.2%	53.5	10.1%	56.1	11.3%
Auxiliary Enterprises	33.8	6.2%	31.8	6.0%	28.9	5.8%
Depreciation	60.5	11.0%	59.7	11.3%	57.8	11.6%
	$549.2	100.0%	$528.1	100.0%	$497.0	100.0%

Fiscal Year 2004
Natural Classification



Operating Expenses
Natural Classification (in millions)

	FY2004		FY2003		FY2002	
Salaries and Employee Benefits	$319.2	58.1%	$300.9	57.0%	$275.4	55.4%
Contractual Services	102.1	18.6%	105.3	19.9%	100.8	20.3%
Supplies and Materials	54.4	9.9%	51.8	9.8%	53.6	10.8%
Student Aid	13.0	2.4%	10.4	2.0%	9.4	1.9%
Depreciation	60.5	11.0%	59.7	11.3%	57.8	11.6%
	$549.2	100.0%	$528.1	100.0%	$497.0	100.0%

Fiscal Year 2003 Comparisons (Statement of Revenues, Expenses and Changes in Net Assets)

For comparative purposes, significant comments about changes between 2002 and 2003 that were noted in fiscal year 2003 Management's Discussion and Analysis are summarized below:

The Statement of Revenues, Expenses and Changes in Net Assets reflected an overall increase in net assets of 6.5 percent, or $47.9 million, from 2002 to 2003. The significant factors affecting the fiscal year 2003 increase in net assets included $79.6 million revenue recognized from capital funding sources, such as state capital appropriations and bond proceeds, which exceeded depreciation expense of $59.7 million. Endowment proceeds and investment income also contributed positively to the increase in net assets by providing $11.8 million in 2003 as compared to a loss of $1.8 million in 2002. Total return from the consolidated fund was approximately 1 percent in 2003 as compared to a loss of 7 percent in 2002.

Other major revenue sources include state general fund appropriations, sponsored programs and tuition revenue. State general fund appropriations increased to $211.2 million in 2003, as compared to $201.6 million in 2002. Sponsored program revenue, primarily from research and education related programs, increased 14 percent, from $148.8 million in 2002 to $169.9 million in 2003. Facility and administrative cost recovery provided $26.5 million in 2003 as compared to $22.7 million in 2002. Student enrollment and tuition rate increases for the 2002-2003 academic year provided for gross student tuition and fee revenue of $59.8 million in fiscal year 2003 as compared to $54.2 million in fiscal year 2002. Student full-time equivalent enrollment for Fall 2002 was 16,624, an 8.1 percent increase from the prior Fall period. Tuition rates increased 3.2 percent for academic year 2002-2003, roughly equal to the estimated inflationary impact on the costs of providing higher education.

Capital and Debt Activities

The University of Alaska has continued to modernize various facilities and to build new facilities to address emerging state needs. Net capital additions totaled $110.8 million in 2004, as compared with $104.2 million in 2003 and $50.1 million in 2002. These capital additions primarily comprise replacement, renovation and new construction of academic and research facilities, as well as investments in equipment and information technology. At June 30, 2004, $57.7 million remains unexpended from current and prior year capital appropriations and general revenue bond proceeds, of which $20.8 million is committed to existing construction contracts. The balance is for projects still in design or preconstruction, or is held for contingencies for work in progress. At June 30, 2004, $9.6 million in private gifts and grants for construction of the University of Alaska Museum addition and renovation remain unexpended. Such gifts, held by the University of Alaska Foundation, will be received by the university on a reimbursement basis during the museum construction.

Construction in progress at June 30, 2004 totaled $72.1 million. Major new facility construction in progress at year end includes the University of Alaska Museum addition and renovation in Fairbanks, the Hutchison Career Center renovation and expansion in Fairbanks, and the University of Alaska Southeast Joint Readiness Center in Juneau.

At June 30, 2004, total debt outstanding was $113.1 million, comprised of $84.4 million in general revenue bonds, $27.8 million in notes payable, and $0.9 million in lease finance contracts. In December 2003, Moody's Investors Service affirmed its previous university credit rating of A1 with stable outlook. In December 2003, Standard & Poor's affirmed its rating of AA- for bonds backed by its broad general revenue pledge. The University has maintained these ratings since its general revenue issues were first rated in 1992.

The university had two general revenue bond issues in 2004 totaling $21,040,000. The Series L bond issue totaled $9,970,000 and matures on October 1, 2030, bearing interest at rates ranging from 3 percent to 4.7 percent. Series L bond proceeds totaling $7,780,000 are being used for capital improvement projects, while the remaining $2,190,000 was used to redeem all of 1993 Series F general revenue bonds. The Series M bond issue totaled $11,070,000. The bonds mature on October 1, 2028 and bear interest at rates ranging from 3.25 percent to 4.75 percent. Series M bond proceeds totaling $8,680,000 are being used for capital improvement projects and acquisition of real estate, and the remaining $2,390,000 was used to refinance a deed of trust note originally issued for the purchase of two buildings located in Anchorage.

Bonds were issued in prior years to finance construction of student residences at three campuses, the West Ridge Research Building, a student recreation center, a research facility to house the International Arctic Research Center, the acquisition and renovation of several properties adjacent to the university's campuses, additions to the university's self-operated power, heat, water and telephone utility systems in Fairbanks, and to refund previously issued general revenue bonds and other contractual obligations in order to realize debt service savings.

The university has traditionally utilized both tax exempt and non-tax exempt equipment lease financings to provide for its capital needs or to facilitate systematic renewals. Short-term lines of credit are available to provide interim cash flow financing for facilities intended to be funded with general revenue bond proceeds.

Other Economic and Financial Conditions

The following is a description of currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets) of the university.

At their September 2003 meeting, the Board of Regents approved a 10 percent increase in tuition for resident students (20 percent for non-residents) for the 2004 - 2005 academic year. During Spring semester 2005, the administration will institute a network charge equal to 2 percent of tuition that will be used to fund information technology network access and maintenance. At their September 2004 meeting, the Board of Regents approved a 10 percent increase in tuition for the 2005 – 2006 academic year.

Substantially all regular university employees participate in either the State of Alaska Public Employees' Retirement System (PERS), the State of Alaska Teachers' Retirement System (TRS), or the University of Alaska Optional Retirement Plan (ORP). Based on actuarial studies completed as of June 30, 2003, the university's funded ratio (actuarial value of plan assets to actuarial accrued liability) for PERS was 75 percent. Unlike PERS, TRS does not maintain individual employer funded ratios, however, the overall TRS funded ratio as actuarially determined at June 30, 2003 was 64 percent. The low funded ratios can be attributed primarily to rising health care costs for plan participants and declines in investment returns in prior years. In April 2004, the PERS and TRS boards set the university's contribution rates for fiscal year 2006 at 15.58 percent and 21.0 percent of applicable gross pay for PERS and TRS, respectively. This is an increase from fiscal year 2005 rates of 10.58 percent and 16.0 percent. See Note 12 of the financial statements for more information regarding pension plans.

For fiscal year 2005, state appropriations for operations and debt service reimbursement total $232.6 million, and include an $11.7 million incremental increase from the prior year to meet the rising cost of the PERS and TRS employer contributions and other salary increases. Ongoing state budget requests include funding for the fiscal year 2006 rise in the retirement plans' employer contribution rates in addition to a 5 percent increase from base state funding. The level of annual state appropriation funding is conditional upon the legislative process, which is directly influenced by current economic conditions and other factors. The university continues to seek additional revenues from sources other than state appropriations, to decrease its reliance on state appropriations as a percent of total revenue.

KPMG LLP
Suite 600
701 West Eight Avenue
Anchorage, AK 99501

Telephone 907 265 1200
Fax 907 265 1296

Independent Auditors' Report

The Board of Regents
University of Alaska:

We have audited the accompanying basic financial statements of the University of Alaska (University), a component unit of the State of Alaska, as of and for the years ended June 30, 2004 and 2003 as listed in the table of contents. These financial statements are the responsibility of the university's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Alaska at June 30, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements effective July 1, 2002, the University of Alaska adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units.*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004 on our consideration of the University of Alaska'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 control 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 Management's Discussion and Analysis, on pages 1 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

September 30, 2004

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UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Net Assets
June 30, 2004 and 2003
(in thousands)

Assets	2004	2003
Currents assets:		
Cash and cash equivalents	$ 41,815	$ 22,147
Short-term investments	1,231	1,215
Accounts receivable, less allowance of $3,990 in 2004 and $4,118 in 2003	57,974	74,926
Other assets	640	1,254
Inventories	8,061	7,644
Total current assets	109,721	107,186
Noncurrent assets:		
Restricted cash and cash equivalents	19,164	21,577
Notes receivable	5,212	5,802
Endowment investments	93,834	81,579
Endowed land and other assets	38,358	38,953
Long-term investments	20,694	20,350
Assets held in trust	5,698	5,458
Capital assets, net of accumulated depreciation of $493,386 in 2004 and $439,489 in 2003	760,757	703,855
Total noncurrent assets	943,717	877,574
Total assets	1,053,438	984,760
Liabilities		
Current liabilities:		
Accounts payable	13,246	20,677
Accrued expenses	4,156	3,576
Accrued payroll	13,563	11,486
Deferred revenue	3,553	3,331
Accrued annual leave	8,152	7,968
Deferred lease revenue - current portion	1,281	1,281
Long-term debt - current portion	4,855	4,354
Insurance and risk management	18,591	19,421
Deposits from students and others	2,234	2,453
Total current liabilities	69,631	74,547
Noncurrent liabilities:		
Capital appropriation advances	8,633	14,684
Deferred lease revenue	11,209	12,490
Long-term debt	108,239	95,961
Security deposits and other liabilities	5,495	4,564
Total noncurrent liabilities	133,576	127,699
Total liabilities	203,207	202,246
Net Assets		
Invested in capital assets, net of related debt	648,016	602,274
Restricted:		
Expendable:		
Restricted funds	1,512	1,551
Student loan funds	259	716
Education Trust of Alaska	4,843	5,463
Capital projects	2,925	3,584
Debt service	3,092	3,283
Endowment	23,960	16,505
Nonexpendable	111,142	108,303
Unrestricted (see Note 2)	54,482	40,835
Total net assets	$ 850,231	$ 782,514

The accompanying notes are an integral part of the financial statements.

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UNIVERSITY OF ALASKA FOUNDATION
(A Component Unit of the University of Alaska)
Statements of Financial Position
June 30, 2004 and 2003
(in thousands)

Assets	2004	2003
Cash and cash equivalents	$ 3,662	$ 2,802
Interest receivable	281	270
Short term investments	48	-
Contributions receivable	7,621	8,499
Escrows receivable	621	692
Inventory	74	78
Other assets	410	434
Remainder trust receivable	391	407
Pooled endowment funds	69,246	55,386
Other long term investments	46,658	47,362
Total assets	$ 129,012	$ 115,930
Liabilities		
Due to the University of Alaska	$ 3,631	$ 1,617
Other liabilities	36	5
Remainder trust obligations	158	172
Term endowment liability	1,000	1,000
Total liabilities	4,825	2,794
Net Assets		
Unrestricted	29,439	25,943
Temporarily restricted	50,962	47,579
Permanently restricted	43,786	39,614
Total net assets	124,187	113,136
Total liabilities and net assets	$ 129,012	$ 115,930

The accompanying notes are an integral part of the financial statements.

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UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2004 and 2003
(in thousands)

	2004	2003
Operating revenues		
Student tuition and fees	$ 67,756	$ 59,825
less tuition allowances	(6,260)	(5,256)
	61,496	54,569
Federal grants and contracts	133,897	115,996
State grants and contracts	10,520	11,775
Local grants and contracts	3,313	3,547
Private grants and contracts	36,641	38,617
Federal appropriations	2,758	2,214
Local appropriations	705	705
Sales and services, educational departments	3,415	3,681
Sales and services, auxiliary enterprises, net of tuition allowances of $1,298 in 2004 and $1,151 in 2003	34,605	32,283
Other	12,327	11,739
Total operating revenues	299,677	275,126
Operating expenses		
Instruction	144,115	134,192
Academic support	37,095	34,279
Research	112,013	107,615
Public service	26,216	24,967
Student services	33,002	31,323
Operations and maintenance	39,184	40,291
Institutional support	50,290	53,529
Student aid	13,052	10,441
Auxiliary enterprises	33,786	31,827
Depreciation	60,483	59,684
Total operating expenses	549,236	528,148
Operating loss	(249,559)	(253,022)
Nonoperating revenues (expenses)		
State appropriations	217,745	211,152
Investment earnings	1,674	2,411
Endowment proceeds and investment income	16,187	11,745
Interest on debt	(3,394)	(2,936)
Other nonoperating expenses	(1,506)	(1,108)
Net nonoperating revenues	230,706	221,264
Loss before other revenues, expenses, gains or losses	(18,853)	(31,758)
Capital appropriations, grants and contracts	86,570	79,640
Net increase in net assets	67,717	47,882
Net assets		
Net assets - beginning of year	782,514	734,632
Net assets - end of year	$ 850,231	$ 782,514

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF ALASKA FOUNDATION
(A Component Unit of the University of Alaska)
Statements of Activities
For the Years Ended June 30, 2004 and 2003
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2004
Revenues, gains and other support				
Contributions	$ 1,317	$ 8,833	$ 4,016	$ 14,166
Investment income	1,401	1,514	-	2,915
Net realized and unrealized investment gains (losses)	1,752	4,216	-	5,968
Other revenues	5	124	-	129
Actuarial adjustment of remainder trust obligations	-	-	(25)	(25)
Gains (losses) on disposition of other assets	-	96	(1)	95
Transfers from the University of Alaska	-	1	142	143
Net assets released from restriction	11,360	(11,360)	-	-
Total revenues, gains and other support	15,835	3,424	4,132	23,391
Expenses and distributions				
Operating expenses	282	-	-	282
Distributions for the benefit of the University of Alaska	12,058	-	-	12,058
Total expenses and distributions	12,340	-	-	12,340
Excess of revenues over expenses	3,495	3,424	4,132	11,051
Transfers between net asset classes	-	(41)	41	-
Total transfers	-	(41)	41	-
Increase (decrease) in net assets	3,495	3,383	4,173	11,051
Net assets, beginning of year	25,944	47,578	39,614	113,136
Net assets, end of year	$ 29,439	$ 50,961	$ 43,787	$ 124,187

The accompanying notes are an integral part of the financial statements.

Unrestricted	Temporarily Restricted	Permanently Restricted	2003
$ 1,200	$ 10,183	$ 1,983	$ 13,366
1,485	993	-	2,478
(144)	719	-	575
-	90	4	94
-	(1)	(17)	(18)
9	-	-	9
92	24	-	116
9,553	(9,553)	-	-
12,195	2,455	1,970	16,620
230	-	-	230
8,687	-	-	8,687
8,917	-	-	8,917
3,278	2,455	1,970	7,703
-	4,010	(4,010)	-
-	4,010	(4,010)	-
3,278	6,465	(2,040)	7,703
22,666	41,113	41,654	105,433
$ 25,944	$ 47,578	$ 39,614	$ 113,136

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Cash Flows
For the Years Ended June 30, 2004 and 2003
(in thousands)

	2004	2003
Cash flows from operating activities		
Student tuition and fees, net	$ 61,900	$ 53,911
Grants and contracts	190,920	171,403
Sales and services, educational departments	3,415	3,680
Sales and services, auxiliary enterprises	34,554	32,666
Federal appropriations	2,758	2,214
Local appropriations	705	705
Other operating receipts	11,046	10,418
Payments to employees for salaries and benefits	(316,830)	(299,886)
Payments to suppliers	(158,595)	(154,653)
Payments to students for financial aid	(12,655)	(10,381)
Net cash used by operating activities	(182,782)	(189,923)
Cash flows from noncapital financing activities		
State appropriations	217,050	211,401
Other revenue, net	45	170
Direct lending receipts	51,397	45,418
Direct lending payments	(51,815)	(45,920)
Net cash provided by noncapital financing activities	216,677	211,069
Cash flows from capital and related financing activities		
Capital appropriations, grants and contracts	90,875	69,335
Proceeds from issuance of capital debt	21,134	33,515
Redemption of general revenue bonds	(4,392)	(3,885)
Purchases of capital assets	(122,016)	(102,479)
Principal paid on capital debt and leases	(4,486)	(3,650)
Interest paid on capital debt and leases	(4,002)	(3,302)
Net cash used by capital and related financing activities	(22,887)	(10,466)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	9,340	3,776
Purchase of investments	(10,466)	(9,137)
Interest received on investments	608	709
Interest and other sales receipts from endowment assets	6,765	10,763
Net cash provided by investing activities	6,247	6,111
Net increase in cash and cash equivalents	17,255	16,791
Cash and cash equivalents, beginning of the year	43,724	26,933
Cash and cash equivalents, end of the year	$ 60,979	$ 43,724
Cash and cash equivalents (current)	$ 41,815	$ 22,147
Restricted cash and cash equivalents (noncurrent)	19,164	21,577
Total cash and cash equivalents	$ 60,979	$ 43,724

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Cash Flows
For the Years Ended June 30, 2004 and 2003
(in thousands)

Reconciliation of operating loss to net cash used by operating activities:	2004	2003
Operating loss	$ (249,559)	$ (253,022)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	60,483	59,684
Changes in assets and liabilities:		
Accounts receivable, net	7,038	1,048
Other assets	713	(40)
Inventories	(417)	(738)
Accounts payable	(2,401)	3,472
Accrued expenses	951	(236)
Accrued payroll	2,077	1,011
Deferred revenue	222	(148)
Accrued annual leave	183	405
Deferred lease revenue - current portion	(1,281)	(1,281)
Insurance and risk management	(830)	(157)
Deposits from students and others	39	79
Net cash used by operating activities	$ (182,782)	$ (189,923)

Noncash Investing, Capital and Financing Activities:

For the Year Ended June 30, 2004

Additions to capital assets include $5.5 million expended and capitalized but not paid for at year end.

The university purchased equipment through a lease purchase contract totaling $0.6 million.

Losses on equipment disposals totaled $0.5 million.

Interest expense on general revenue bond financed projects totaling $0.6 million was capitalized during the year.

For the Year Ended June 30, 2003

Additions to capital assets include $7.7 million expended and capitalized but not paid for at year end.

The university purchased equipment through a lease purchase contract totaling $0.4 million.

Losses on equipment disposals totaled $0.8 million.

The State of Alaska transferred the Tanana Valley Campus Barnette Street facility to the university with a fair market value of $2.7 million.

The accompanying notes are an integral part of the financial statements.

1. Organization and Summary of Significant Accounting Policies:

Organization and Basis of Presentation:

The University of Alaska (university) is a constitutionally created corporation of the State of Alaska which is authorized to hold title to real and personal property and to issue debt in its own name. The university is a component unit of the State of Alaska for purposes of financial reporting. As an instrumentality of the State of Alaska, the university is exempt from federal income tax under Internal Revenue Code Section 115, except for unrelated business activities as covered under Internal Revenue Code Sections 511 to 514.

The University of Alaska Foundation (foundation) is a legally separate, non profit component unit of the university. The foundation was established to solicit donations and to hold and manage such assets for the exclusive benefit of the university. Resources managed by the foundation and distributions made to the university are governed by the foundation's Board of Trustees. Commencing in fiscal year 2004, Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, requires the university to include the foundation as part of its financial statements to better report resources benefiting the university. The university's fiscal year 2003 financial statements have been restated to conform to the requirements of GASB Statement No. 39. The university is not accountable for, nor has ownership of, the foundation's resources. The foundation's financial statements include the Statement of Financial Position and the Statement of Activities and these statements are presented in their original audited format according to Financial Accounting Standards Board (FASB) pronouncements.

In preparing the financial statements, management is required to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statement of net assets. Actual results could differ from those estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below.

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

- **Unrestricted Net Assets:** Assets, net of related liabilities, which are not subject to externally-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Board of Regents or may otherwise be limited by contractual agreements with outside parties.

- **Restricted Net Assets:**

  Expendable – Assets, net of related liabilities, which are subject to externally-imposed restrictions that may or will be met by actions of the university and/or that expire with the passage of time.

  Non-expendable – Assets, net of related liabilities, which are subject to externally-imposed restrictions requiring that they be maintained permanently by the university.

- **Invested in capital assets, net of related debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the economic resources measurement focus and the accrual basis of accounting. All significant intra-university transactions have been eliminated. The university reports as a business type activity, as defined by GASB Statement No. 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The university has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The university has elected not to apply FASB pronouncements issued after the applicable date.

Cash and Cash Equivalents

All highly liquid investments, not held for long-term investment, with original maturities of three months or less are reported as cash and cash equivalents.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Investments

Investments are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets. Long-term investments include those restricted by outside parties as to withdrawal or use for other than current operations, or are designated for expenditure in the acquisition or construction of noncurrent assets or held with an intent not to be used for operations.

Capital Assets

Capital assets are stated at cost when purchased and at fair value when donated. Equipment with a unit value of less than $2,500 is not capitalized. Certain land and other resources acquired through land grants and donated museum collections for which fair value at date of acquisition was not determinable are reported at zero basis in the financial statements.

Depreciation is computed on a straight-line basis with useful lives of building and building components ranging from 12 to 50 years, 10 to 35 years for infrastructure and other improvements, and 5 to 11 years for equipment. Library and museum collections are not depreciated because they are preserved and cared for and have an extraordinarily long useful life.

Endowments

Endowments consist primarily of the land grant endowment trust fund established pursuant to the 1929 federal land grant legislation and its related inflation proofing funds. AS 14.40.400 provides that the net income from the sale or use of grant lands must be held in trust in perpetuity. At June 30, 2004 and 2003 the accumulated net earnings and appreciation on investments is $24.0 million and $16.5 million, respectively. These amounts, which are recorded in the restricted expendable net asset category, are available for expenditure in accordance with spending policies established by the Board of Regents in its capacity as trustee. Alaska Statute 14.40.400 provides the Board of Regents with authority to manage the endowments under the total return principles which are intended to preserve and maintain the purchasing power of the endowment principal. The investable resources of the fund are invested in the consolidated fund, a unitized investment fund. The annual spending allowance is currently based on five percent of a five-year moving average of the invested balance. Withdrawals of net earnings appreciation to meet the spending allowance are limited to the unexpended accumulated net earnings of the endowments.

Operating Activities

The university's policy for defining operating activities as reported on the statement of revenues, expenses and changes in net assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations and investment earnings.

Tuition Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of tuition allowances in the statement of revenues, expenses and changes in net assets. Tuition allowances are the difference between the stated charge for tuition and room and board provided by the university and the amount paid by the student and/or third parties making payments on the students' behalf.

Lapse of State Appropriations

Alaska Statutes provide that unexpended balances of one-year appropriations will lapse on June 30 of the fiscal year of the appropriation; however, university receipts in excess of expenditures may be expended by the university in the next fiscal year. University receipts include student fees, donations, sales, rentals, facilities and administrative cost recovery, auxiliary and restricted revenues. The unexpended balances of capital appropriations lapse upon completion of the project or upon determination that the funds are no longer necessary for the project.

2. Unrestricted Net Assets:

At June 30, unrestricted net assets included the following (in thousands):

	2004	2003
Designated:		
Auxiliaries	$ 9,431	$ 9,529
Working capital fund	4,715	4,715
Service centers	6,227	4,473
Renewal and replacement funds	3,066	2,578
Quasi-endowment funds	79	79
Employee benefit funds	(1,065)	(7,389)
Endowment earnings	8,717	7,108
Encumbrances	6,697	7,159
Total designated	37,867	28,252
Undesignated	16,615	12,583
Total unrestricted net assets	$ 54,482	$ 40,835

Unrestricted net assets include non-lapsing university receipts of $29.5 million at June 30, 2004. Non-lapsing university receipts of $24.2 million from 2003 were fully expended in 2004.

At June 30, 2004 and 2003, $38.9 million and $33.7 million, respectively, of auxiliary funds, encumbrances and other unrestricted net assets were pledged as collateral for the university's general revenue bonds, as calculated under the terms of the 1992 General Revenue Bonds Trust Indenture.

3. Cash and Investments:

Alaska Statutes and Board of Regents' policy provide the university with broad authority to invest funds. GASB requires that bank balances and investment securities be disclosed or classified by category of credit risk as follows:

Deposits: Insured or collateralized with securities held by the university or its agent in the name of the university (category 1); collateralized with securities held by the pledging financial institution's trust department or agent in the name of the university (category 2); uncollateralized including collateralized balances for which securities are held by the pledging financial institution or by its trust department or agent but not in the name of the university (category 3).

Investment Securities: Insured or registered, with securities held by the university or its agent in the name of the university (category 1); Uninsured and unregistered, with securities held by the counterparty's (another party to the transaction, i.e. seller or dealer) trust department or agent in the name of the university (category 2); Uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the name of the university (category 3).

	2004		2003	
	Book	Bank	Book	Bank
Deposits (in thousands):				
Insured or collateralized (Category 1):				
Demand deposits	$ 329	$ 319	$ 304	$ 302
Time deposits	100	100	100	100
Uncollateralized (Category 3):				
Demand deposits	1,636	11,683	(16,721)	736
Time deposits	4,100	4,100	4,100	4,100
Total deposits	$ 6,165	$ 16,202	$ (12,217)	$ 5,238
Investment securities:				
Insured and registered (Category 1)				
Common stock		$ 2		$ 2
Uninsured and unregistered (Category 3)				
Repurchase agreements		7,268		16,399
Total investment securities		$ 7,270		$ 16,401
Other deposits and investments:				
Money market funds		$ 62		$ 120
Commonfund, short and intermediate term funds		41,729		35,227
Commonfund, absolute return fund		13,400		12,816
Funds held by others:				
Endowment funds		91,822		79,555
Bond proceeds and redemption funds		16,290		14,966
Total other deposits and investments		$ 163,303		$ 142,684

Deposits reported in Category 1 by the university were insured by federal depository insurance. Deposits and investments reported in Category 3 were secured under a tri-party agreement with Bank of New York to hold the collateral for the benefit of the university; however, the securities are not held in the name of the university. At June 30, 2004 and 2003, securities with an estimated fair value of $24.0 million and $26.4 million were held as collateral under the tri-party agreement. Time deposits consist of a non-interest bearing deposit in the amount of $4.2 million maintained as a compensating balance in exchange for banking services.

Repurchase agreements represent overnight investments secured under tri-party agreements with various bank trust departments to hold the collateral for the benefit of the university; however, the securities are not held in the name of the university. The Commonfund is a not-for-profit provider of pooled multi-manager investment vehicles for colleges and universities. Endowment funds are managed by the University of Alaska Foundation under a consolidated fund agreement. Bond proceeds and related redemption funds are held by bank trustees in accordance with debt covenants.

Certain funds held in trust for the benefit of the university are not included in the financial statements as the university has only limited control over their administration. These funds are in the custody of independent fiduciaries and at June 30, 2004 and 2003, had an estimated fair value of approximately $6.9 million and $6.5 million, respectively.

4. Accounts Receivable:

Accounts receivable consisted of the following at June 30, 2004 and 2003 (in thousands):

June 30, 2004	Gross	Allowance	Net
Student tuition and fees	$ 6,911	$ (1,669)	$ 5,242
Sponsored programs	42,032	(2,168)	39,864
Auxiliary services and other operating activities	632	(153)	479
Capital appropriations, grants and contracts	11,693	-	11,693
State operating appropriation	696	-	696
	$ 61,964	$ (3,990)	$ 57,974
June 30, 2003			
Student tuition and fees	$ 6,718	$ (1,368)	$ 5,350
Sponsored programs	49,014	(2,600)	46,414
Auxiliary services and other operating activities	1,009	(150)	859
Capital appropriations, grants and contracts	22,302	-	22,302
State operating appropriation	1	-	1
	$ 79,044	$ (4,118)	$ 74,926

5. Assets Held in Trust:

Assets held in trust include operating funds of the Education Trust of Alaska (Trust). The Trust was established pursuant to state statute on April 20, 2001 by the Board of Regents to facilitate administration of the state's Internal Revenue Code (IRC) Section 529 College Savings Program. The program is a nationally marketed college savings program developed in accordance with IRC Section 529 and includes the resources of the university's former Advance College Tuition (ACT) Program. Participant account balances of approximately $1,217 million and $714 million at June 30, 2004 and 2003, respectively, are not included in the financial statements.

Assets of the Trust are invested in various mutual funds at the direction of T. Rowe Price Associates, Inc., the program manager. The net assets of the Trust, which include a reserve for University of Alaska (UA) Tuition Value Guarantees, are available for payment of program administrative costs, benefits and other purposes of the Trust. Based on actuarial studies, management estimates reserve requirements for the UA Tuition Value Guarantees to be approximately $860,000 and $950,000 at June 30, 2004 and 2003, respectively.

6. Endowed Land and Other Assets:

Endowed land and other assets consist of real property and timber and other rights. By Acts of Congress in 1915 and 1929, approximately 110,000 acres of land was granted to the territory of Alaska to be held in trust for the benefit of the university. The lands were managed by the territory, and later the state of Alaska. In accordance with a 1982 agreement, the lands were subsequently transferred to the Board of Regents, as trustee. In 1982 and 1988 certain state lands including timber and other rights were transferred to the trust as replacement for lands disposed of or adversely affected during the period of administration by the territory and the state. These lands and property interests were recorded at their fair value as of the date of transfer. The net proceeds from timber, land and other rights are deposited in the land grant endowment trust fund described under Endowments in Note 1 above. At June 30, 2004 and 2003, approximately 84,000 and 86,000 acres, respectively, were held in trust at no basis because fair value at the date of transfer was not determinable.

7. Capital Assets:

A summary of capital assets follows (in thousands):

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
Capital assets not depreciated				
Land	$ 25,949	$ 1,332	$ -	$ 27,281
Construction in progress	94,212	81,452	103,541	72,123
Library and museum collections	47,917	1,729	-	49,646
Other capital assets				
Buildings	755,084	102,265	-	857,349
Infrastructure	33,514	-	-	33,514
Equipment	161,503	34,213	7,100	188,616
Leasehold improvements	4,845	-	-	4,845
Other improvements	20,320	449	-	20,769
Total	1,143,344	221,440	110,641	1,254,143
Less accumulated depreciation:				
Buildings	304,452	38,786	-	343,238
Infrastructure	21,191	1,189	-	22,380
Equipment	100,250	19,189	6,586	112,853
Leasehold improvements	1,857	242	-	2,099
Other improvements	11,739	1,077	-	12,816
Total accumulated depreciation	439,489	60,483	6,586	493,386
Capital assets, net	$ 703,855	$ 160,957	$ 104,055	$ 760,757

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003
Capital assets not depreciated				
Land	$ 24,303	$ 1,799	$ 153	$ 25,949
Construction in progress	52,942	82,007	40,737	94,212
Library and museum collections	46,347	1,570	-	47,917
Other capital assets				
Buildings	714,759	40,368	43	755,084
Infrastructure	33,515	-	1	33,514
Equipment	142,466	27,872	8,835	161,503
Leasehold improvements	4,845	-	-	4,845
Other improvements	19,950	370	-	20,320
Total	1,039,127	153,986	49,769	1,143,344
Less accumulated depreciation:				
Buildings	262,875	41,620	43	304,452
Infrastructure	19,648	1,543	-	21,191
Equipment	93,319	14,942	8,011	100,250
Leasehold improvements	1,615	242	-	1,857
Other improvements	10,402	1,337	-	11,739
Total accumulated depreciation	387,859	59,684	8,054	439,489
Capital assets, net	$ 651,268	$ 94,302	$ 41,715	$ 703,855

8. Long-term Debt:

Debt service requirements at June 30, 2004 were as follows (in thousands):

Year ended June 30,	Principal	Interest	Total
2005	$ 4,855	$ 4,289	$ 9,144
2006	4,823	4,142	8,965
2007	4,899	3,990	8,889
2008	5,023	3,829	8,852
2009	4,314	3,672	7,986
2010-2014	23,401	15,963	39,364
2015-2019	25,491	11,355	36,846
2020-2024	27,663	5,910	33,573
2025-2029	11,405	1,607	13,012
2030-2031	1,220	58	1,278
	$ 113,094	$ 54,815	$ 167,909

Long-term debt consisted of the following at June 30, 2004 and 2003 (in thousands):

	2004	2003
Note payable – capital construction 1.826% assisted note to the Alaska Housing Finance Corporation (AHFC) to finance construction of Anchorage campus housing, payable beginning August 1999 to February 2024. In 1996, the university entered into an agreement with AHFC to borrow a total of $33 million, of which $30 million was issued on an assisted basis with interest at 1.826% and an additional $3 million issued on an unassisted basis at 6.0%	$ 27,734	$ 28,831
Note payable – quasi-endowment funds 5.0% note to finance purchase of two buildings located on University Lake Drive in Anchorage, refinanced in 2004 with issuance of Series M revenue bonds	-	2,357
Revenue bonds payable 1.40% to 5.90% general revenue bonds due serially to 2031, secured by a pledge of unrestricted current fund revenue generated from tuition, fees, recovery of facilities and administrative costs, sales and services of educational departments, miscellaneous receipts and auxiliaries	84,430	68,465
Installment contracts 1.94% to 5.44% installment contracts for the purchase of air traffic control simulation equipment and vehicles due in quarterly installments through June 2008	930	662
	$ 113,094	$ 100,315

On December 9, 2003, the university issued Series L general revenue bonds totaling $9,970,000. The bonds mature on October 1, 2030 and bear interest at rates ranging from 3 percent to 4.7 percent. Series L bond proceeds totaling $7,780,000 are being used for capital improvement projects, while the remaining $2,190,000 was used to redeem all of 1993 Series F general revenue bonds. The current refunding results in an economic gain of approximately $29,000 and total debt service payments over four years decrease $51,000.

On January 8, 2004, the university issued Series M general revenue bonds totaling $11,070,000. The bonds mature on October 1, 2028 and bear interest at rates ranging from 3.25 percent to 4.75 percent. Series M bond proceeds totaling $8,680,000 are being used for capital improvement projects and acquisition of real estate, and the remaining $2,390,000 was used to refinance a deed of trust note originally issued for the purchase of two buildings located in Anchorage.

In fiscal year 2004, the state reimbursed the university for debt service of $1,412,928 on Series K general revenue bonds. Subject to annual appropriation, the state will reimburse the university for principal and interest on $20,400,000 of the remaining bond principal. Annual debt service on this portion of the bonds is approximately $1.4 million.

In prior years, the university defeased housing system revenue bonds and certain general revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Trust assets and related liabilities for the defeased bonds are not included in the university's financial statements. At June 30, 2004 and 2003, outstanding defeased bonds were $0.4 million and $0.6 million, respectively.

Under the terms of the 1992 General Revenue Bonds Trust Indenture, the university is required to maintain a reserve account with a trustee at an amount equal to one-half of the maximum annual debt service. The balance in the reserve account at June 30, 2004 and 2003 was $3.6 million and $3.1 million, respectively. The reserve balance at June 30, 2004 includes a reserve fund policy, purchased with the issuance of Series L, totaling $0.6 million.

9. Deferred Lease Revenue:

In fiscal year 1997, the university entered into an agreement to construct a facility and establish the International Arctic Research Center (IARC). The university received $19,215,000 through a Japanese non-profit corporation to support the construction of the IARC in exchange for a commitment to provide research facilities to various Japanese research organizations and agencies for a period of 25 years, including lease extensions. The Japanese research organizations began occupying the IARC in fiscal year 1999. The deferred lease revenue at June 30, 2004 is $12,489,750 and is reduced at the rate of $1,281,000 per year with a corresponding increase to other operating revenue.

10. Long-term Liabilities:

Long-term liability activity was as follows (in thousands):

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Amounts due within one year
Capital appropriation advances	$ 14,684	$ 7,282	$ 13,333	$ 8,633	$ -
Deferred lease revenue	13,771	-	1,281	12,490	1,281
Long-term debt	100,315	21,658	8,879	113,094	4,855
Security deposits and other liabilities	4,564	931	-	5,495	-
	$ 133,334	$ 29,871	$ 23,493	$ 139,712	$ 6,136

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Amounts due within one year
Capital appropriation advances	$ 8,946	$ 6,949	$ 1,211	$ 14,684	$ -
Deferred lease revenue	15,051	-	1,280	13,771	1,281
Long-term debt	73,929	33,921	7,535	100,315	4,354
Security deposits on other liabilities	5,670	113	1,219	4,564	-
	$ 103,596	$ 40,983	$ 11,245	$ 133,334	$ 5,635

11. Capital Appropriations and Construction Commitments:

Major construction projects of the university are funded primarily by State of Alaska appropriations and university revenue bonds. The appropriations are financed through state-issued general obligation bonds or capital project bonds issued by the Alaska Housing Finance Corporation, a component unit of the State of Alaska, while other appropriations are received directly from the state or state agencies.

Unexpended and unbilled capital funds appropriated by the State of Alaska in prior years, which are not reflected as appropriation revenue or receivables on the university's books at June 30, 2004, totaled $47.5 million. In addition, unexpended proceeds of university-issued general revenue bonds designated for construction projects totaled $10.2 million at June 30, 2004.

Construction commitments at June 30, 2004 aggregated $20.8 million. At June 30, 2004, the university had received $8.6 million from State of Alaska capital appropriations and other sources in advance of expenditures.

12. Pension Plans:

Substantially all regular employees participate in either the State of Alaska Public Employees' Retirement System (PERS), an agent multiple-employer public employees' retirement system, the State of Alaska Teachers' Retirement System (TRS), a cost-sharing multiple-employer plan, or the University of Alaska Optional Retirement Plan (ORP), a single-employer defined contribution plan. In addition, substantially all regular employees and faculty classified as temporary participate in the University of Alaska Pension Plan, a supplemental single-employer defined contribution plan. None of the retirement systems or plans own any notes, bonds or other instruments of the university.

Defined Benefit Plans:

<u>State of Alaska Public Employees' Retirement System (PERS)</u>

Plan Description

The university contributes to PERS, a defined benefit, agent multiple-employer public employee retirement system established and administered by the State of Alaska (State). PERS provides pension, postemployment health care, death and disability benefits to eligible participants. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

Each fiscal year, PERS issues a publicly available financial report which includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907)465-4460.

Funding Policy and Annual Pension Cost

Employee contribution rates are 7.5% for peace officers and firefighters and 6.75% for other employees, as required by State statute. The funding policy for PERS provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due.

The university's annual pension cost for the current year and related information is as follows:

	Pension	Postemployment healthcare	Total
Contribution rates:			
Employee:			
Peace officers and firefighters	5.27%	2.23%	7.50%
Other employees	4.74%	2.01%	6.75%
Employer	3.92%	1.66%	5.58%
Annual pension cost	$4,729,156	$2,002,717	$6,731,823
Contributions made	$4,729,156	$2,002,717	$6,731,823
Actuarial assumptions:			
Inflation rate	3.50%	Same	
Investment return	8.25%	Same	
Projected salary increase:			
Inflation	3.50%	N/A	
Productivity and merit:			
Peace officers and firefighters	2.50%	N/A	
Others	2.00%	N/A	
Health cost trend	N/A	12.0%	

The actuarial valuation date was June 30, 2003. The projected unit cost credit method is used and the initial unfunded accrued liability and future gains/losses are amortized as a 25-year fixed period level percentage of pay. Effective June 30, 2002, the asset valuation method recognizes 20 percent of the investment gain or loss in each of the current and preceding four years. This method will be phased in over the next five years.

During 2004, the annual required contribution (ARC) and the amount contributed by the university for the annual pension cost (APC) was $6,731,823. The university has fully funded its pension obligation; therefore, no net pension obligation (NPO) existed at fiscal year end.

Three year trend information follows:

	Year ended June 30	APC	Employer contribution rate	Percentage of APC contributed	NPO
Pension:	2002	3,006,906	2.90%	100%	-
	2003	3,306,428	2.90%	100%	-
	2004	4,729,156	3.92%	100%	-
Postemployment Healthcare:	2002	1,219,245	1.18%	100%	-
	2003	1,340,695	1.18%	100%	-
	2004	2,002,717	1.66%	100%	-

In the current fiscal year, the University determined, in accordance with provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* (GASB 27), that no pension liability existed to PERS and there were no previously reported liabilities to PERS.

Pension and Postemployment Healthcare Benefits
(in thousands)

	Actuarial valuation year ended June 30	Actuarial value of plan assets	Actuarial accrued liability (AAL)	(Unfunded) overfunded actuarial accrued liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
Pension benefits:							
	2001	360,222	331,693	28,529	109%	93,210	N/A
	2002	301,429	402,604	(101,175)	75%	102,892	98%
	2003	313,807	419,463	(105,656)	75%	113,096	93%
Postemployment healthcare benefits:							
	2001	152,517	140,438	12,079	109%	93,210	N/A
	2002	183,143	244,615	(61,472)	75%	102,892	60%
	2003	209,738	280,355	(70,617)	75%	113,096	62%
Total:							
	2001	512,739	472,131	40,608	109%	93,210	N/A
	2002	484,572	647,219	(162,647)	75%	102,892	84%
	2003	523,545	699,818	(176,273)	75%	113,096	81%

State of Alaska Teachers' Retirement System (TRS)

Plan Description

TRS provides pension, postemployment health care, death and disability benefits to participants. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

Each fiscal year, TRS issues a publicly available financial report which includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

Funding Policy

Employees contribute 8.65% of their base salary as required by State statute. The funding policy for TRS provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. During fiscal year 2004, required employee and employer contribution rates were 8.65% and 12%, respectively. The amounts contributed to TRS by the university during the years ended June 30, 2004, 2003 and 2002 were $4,860,511, $4,281,511, and $4,196,154, respectively, equal to the required employer contributions for each year.

Defined Contribution Plans:

University of Alaska Optional Retirement Plan (ORP)

Faculty classified as regular and certain administrators may make a one-time election to participate in the ORP as an alternative to participation in PERS or TRS. The ORP is an employer funded defined contribution plan which operates in conjunction with a companion mandatory tax-deferred annuity plan. ORP participants are required to make employee contributions to one of the plan's authorized tax-deferred annuity programs at a rate equivalent to the TRS employee contribution rate of 8.65%. The university makes matching employer contributions to one of the plan's authorized employee-selected annuity providers or investment managers at a rate equal to the three-year moving average of the TRS employer contribution rates (11.33% for FY04 and 11.33% for FY03). In fiscal year 2004 and 2003, the university's total covered payroll for the ORP plan was approximately $50.9 million and $46.5 million, respectively. The amounts contributed to ORP by the university during the years ended June 30, 2004, 2003 and 2002 were $5,761,999, $5,266,348, and $4,729,946, respectively. At June 30, 2004 and 2003, plan assets (participants' accounts attributable to employer contributions) had a net value of approximately $48.3 million and $38.6 million, respectively. Each participant is 100% vested at all times.

University of Alaska Pension Plan (Pension)

In addition to the other retirement plans, substantially all regular employees and faculty classified as temporary participate in the Pension plan which was established effective January 1, 1982, when the university withdrew from the federal social security program. Effective January 1, 2004, employer contributions for regular employees were 7.65% of covered wages up to a maximum of $42,000 and $87,900 for certain faculty classified as temporary. The plan provides for employer contributions to be invested in accordance with participant-directed investment elections to the plan's fixed income and/or equity funds. Each participant is 100% vested at all times.

In 2004 and 2003, the university's total covered payroll for the Pension plan was approximately $165.2 million and $160.9 million, respectively. The university's costs to fund and administer the plan amounted to approximately $12.7 million, or 7.66% of covered payroll. At June 30, 2004 and 2003, plan assets (participants' accounts) had a net value of approximately $246.3 million and $214.5 million, respectively.

13. Insurance and Risk Management:

The university is exposed to a wide variety of risks including property loss, bodily and personal injury, intellectual property, errors and omissions, aviation and marine. Exposures are handled with a combination of self-insurance, commercial insurance, and membership in a reciprocal risk retention group. The university is self-insured up to the maximum of $2 million per occurrence for casualty claims and $250,000 for property claims. Commercial carriers provide coverage in excess of these amounts. Health care, workers' compensation and unemployment claims are fully self-insured.

Liabilities have been established to cover estimates for specific reported losses, estimates for unreported losses based upon past experience modified for current trends, and estimates of expenses for investigating and settling claims.

Changes in applicable liability amounts follow (in thousands):

	Balance July 1, 2003	Provision for Claims	Claims Payment	Balance June 30, 2004
Health	$ 6,928	$ 34,127	$ (34,550)	$ 6,505
General liability	8,176	189	(1,098)	7,267
Workers' compensation	4,180	1,645	(1,139)	4,686
Unemployment	137	620	(624)	133
	$ 19,421	$ 36,581	$ (37,411)	$ 18,591

	Balance July 1, 2002	Provision for Claims	Claims Payment	Balance June 30, 2003
Health	$ 7,563	$ 28,518	$ (29,153)	$ 6,928
General liability	7,885	724	(433)	8,176
Workers' compensation	4,012	1,463	(1,295)	4,180
Unemployment	118	544	(525)	137
	$ 19,578	$ 31,249	$ (31,406)	$ 19,421

14. Commitments and Contingencies:

Amounts received and expended by the university under various federal and state grants, contracts and other programs are subject to audit and potential disallowance. From time to time the university is named as a defendant in legal proceedings or cited in regulatory actions related to the conduct of its operations. In the normal course of business, the university also has various other commitments and contingent liabilities which are not reflected in the accompanying financial statements. In the opinion of management, the university will not be affected materially by the final outcome of any present legal proceedings, environmental investigations, audit adjustments, or other commitments and contingent liabilities.

15. University of Alaska Foundation:

The University of Alaska Foundation (foundation) is a legally separate, non profit organization formed in 1974 to solicit donations for the exclusive benefit of the University of Alaska. During 2004 and 2003, the university transferred $142,544 and $115,157, respectively, to the foundation. For the same periods, distributions and expenditures by the foundation for the benefit of the university totaled $12.1 million and $8.7 million, of which $11.9 million and $8.5 million were direct reimbursements to the university. At June 30, 2004 and 2003 the foundation owed the university $3.6 million and $1.6 million, respectively, primarily for reimbursement of museum construction expenditures and other grant and contract and scholarship expenditures. The university provides in-kind administrative and accounting support for the foundation, the costs of which are included as expenditures in the university's financial statements.

The investable resources of the university's land grant endowment trust fund and the foundation's pooled endowment funds are combined into a consolidated fund (fund) for investment purposes. At June 30, 2004 and 2003, the fair value of the fund was $161.1 million and $134.9 million, respectively. The university's share of this fund was $91.8 million and $79.6 million, which is reflected in endowment investments. The fund is managed by the foundation's investment committee and treasurer on a total return basis in accordance with an investment policy approved by the Board of Regents. The net assets and related activity for the university's land grant endowment trust's investment in the fund is reflected in the university's financial statements.

16. Functional Classifications with Natural Classifications:

The university's operating expenses by natural classification were as follows (in thousands):

	Year ended June 30, 2004						
	Compensation & Benefits	Contractual Services	Supplies & Materials	Other	Student Aid	Depre-ciation	Total
Instruction	$ 116,128	$ 19,108	$ 8,501	$ 378	$ -	$ -	$ 144,115
Academic support	27,307	5,575	4,144	69	-	-	37,095
Research	70,009	32,226	9,653	125	-	-	112,013
Public service	17,179	7,502	1,546	(11)	-	-	26,216
Student services	23,787	6,894	2,303	18	-	-	33,002
Operations and maintenance	19,877	7,567	11,135	605	-	-	39,184
Institutional support	37,444	9,321	3,271	254	-	-	50,290
Student aid	-	-	-	-	13,052	-	13,052
Auxiliary enterprises	7,438	13,897	12,160	291	-	-	33,786
Depreciation	-	-	-	-	-	60,483	60,483
	$ 319,169	$ 102,090	$ 52,713	$ 1,729	$ 13,052	$ 60,483	$ 549,236

	Year ended June 30, 2003						
	Compensation & Benefits	Contractual Services	Supplies & Materials	Other	Student Aid	Depre-ciation	Total
Instruction	$ 106,998	$ 18,957	$ 7,882	$ 355	$ -	$ -	$ 134,192
Academic support	24,404	5,162	4,655	58	-	-	34,279
Research	63,465	35,726	8,415	9	-	-	107,615
Public service	15,418	8,301	1,228	20	-	-	24,967
Student services	22,019	7,178	2,145	(19)	-	-	31,323
Operations and maintenance	20,468	8,452	10,758	613	-	-	40,291
Institutional support	40,655	9,136	3,852	(114)	-	-	53,529
Student aid	-	-	-	-	10,441	-	10,441
Auxiliary enterprises	7,427	12,344	11,865	191	-	-	31,827
Depreciation	-	-	-	-	-	59,684	59,684
	$ 300,854	$ 105,256	$ 50,800	$ 1,113	$ 10,441	$ 59,684	$ 528,148

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS
OF THE INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Trust Indenture

Certain covenants and security provisions of the Trust Indenture are summarized below. Reference should be made to the Trust Indenture for a full and complete statement of the provisions. All capitalized terms used under this caption have the meaning ascribed thereto in the Trust Indenture and the Eleventh Supplemental Indenture.

Selected Definitions (Section 101). The following selected terms shall, for all purposes of the Trust Indenture, have the following meanings:

"Credit Enhancement" means a letter of credit, a line of credit, a credit facility, a surety bond, bond insurance, or any other instrument or arrangement obtained in connection with the issuance of a Series of Bonds to further secure the payment of the Bonds of such Series.

"Credit Enhancer" means any bank or other institution that provides Credit Enhancement, including Ambac Indemnity.

"Credit Enhancement Fund" means a fund or Account authorized to be created by the University under Section 507 of the Trust Indenture for the purposes of holding and disbursing the proceeds of, or holding only, Credit Enhancement.

"Maximum Aggregate Debt Service" means, as of any date of calculation, the greatest amount of Aggregate Debt Service payable in any unexpired Bond Year.

"Reserve Equivalent" means (a) any municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States of America, or letter of credit issued by a financial institution for the account of the University on behalf of the Owners of one or more Series of Bonds, which institution maintains an office, agency, or branch in the United States of America; and (b) which insurance company or financial institution, as of the time of issuance of such policy, surety bond, or letter of credit, is rated in one of the two highest rating categories by Moody's Investors Service, Inc. or Standard & Poor's Corporation Ratings Agency or both Moody's Investors Service, Inc. and Standard & Poor's Corporation Ratings Agency if such institution is rated by both or their comparably recognized business successors.

"Reserve Requirement" means (a) an amount equal to one-half of Maximum Aggregate Debt Service; or (b) such other lesser amount as is required in order to maintain the tax-exempt status of the Bonds.

"Revenues" mean all student fees, charges, and rentals, including receipts from sales of goods and services, indirect cost recovery, income of auxiliary enterprises, miscellaneous fees and fines and similar items which are unrestricted but not including: (1) Fairbanks campus housing rentals and Fairbanks campus food service revenues, until such time as the Housing Revenue Bonds issued under Ch. 56, SLA 1961, as amended, are no longer outstanding; (2) governmental appropriations, other than for the items specified above; (3) gifts, donations, and endowment earnings; (4) investment earnings, other than earnings on funds held under the Trust Indenture; and (5) revenues from trust land required to be deposited with the Department of Revenue under AS 14.40.400.

Pledge Effected by Indenture (Section 201). The Revenues and all amounts held in any Fund under the Trust Indenture, except to the extent provided in the Trust Indenture as to amounts held or payable free and clear of, or expressly not subject to, any trust, lien or pledge created by the Trust Indenture, are hereby pledged to first to secure the payment of the principal (including Sinking Fund Payments) of and the interest on the Bonds while any of the said Bonds are Outstanding, and, second, and subordinate to the aforesaid pledge to the Bonds, to the provider under each Reserve Equivalent requiring said pledge under the terms thereof, subject only to the provisions of the Trust Indenture permitting the application thereof for other purposes. As provided in the Act, the pledge is considered a perfected security interest and is valid and binding from the time it is made. The pledge creates an immediate lien against property pledged, without physical delivery thereof or further act.

Additional Bonds (Section 206). (a) The University will not issue any Bonds (other than that 1992 Bonds referred to in Section 205 of the Trust Indenture or Refunding Bonds issued pursuant to Section 207 of the Trust Indenture) or other obligations or create any additional indebtedness which will rank on a parity with or have priority over the lien and charge on the Revenues created by the Trust Indenture except that, if the conditions in Section 204 and Section 206 of the Trust Indenture are complied with, one or more Series of Additional Bonds may be issued pursuant to a Supplemental Indenture on a parity with the Outstanding Bonds and secured by an equal lien on the Revenues for the purposes of paying the Cost of Acquisition or Construction of any Project, including the Cost of Acquisition or Construction necessary to complete a Project.

(b) Additional Bonds of a Series may be issued for the purpose of providing funds to pay for the Cost of Acquisition of Construction of a Project, including the Cost of Acquisition or Construction necessary to complete a Project, upon delivery to the Trustee of a certificate of an Authorized Officer that the amount of Revenues received by the University during the last Fiscal Year prior to the issuance of the Additional Bonds was at least equal to (i) 2.0 times Maximum Aggregate Debt Service with respect to all Bonds to be Outstanding after the issuance and delivery of such Additional Bonds and (ii) 1.0 times any amount of the draws, interest and expenses then due and owing under any Reserve Equivalent.

Creation of Funds and Accounts (Section 501). (a) The Trust Indenture creates the following Funds and Accounts to be held by the Trustee:

(1) Debt Service Fund, which consists of an Interest Account and a Principal Account; and

(2) Reserve Fund.

(b) The Trust Indenture creates the Construction Fund and the Revenue Fund, each to be held by the University.

(c) All Revenues upon receipt by the University shall, as soon as practicable, be paid into the Revenue Fund. Amounts may be paid out of the Revenue Fund without restriction for operation of the University. Amounts shall be paid out of the Revenue Fund by the University to the Trustee to the extent necessary for the payment of Debt Service five Business Days before each April 1 and October I and shall be deposited by the Trustee into the Debt Service Fund. Amounts shall also be paid out of the Revenue Fund by the University to the Trustee for deposit into the Reserve Fund to the extent necessary so that the amount therein equals the Reserve Requirement.

Construction Fund (Section 502). (a) There shall be paid into the Account established in the Construction Fund for such Series the amounts, if any, required to be so paid by the provisions of the Supplemental Indenture authorizing the Bonds for such Series, and there shall be paid into the said account of the Construction Fund any moneys received for or in connection with the Project being financed from any other source, unless required by such Supplemental Indenture to be otherwise applied.

(b) Unless otherwise provided in the Trust Indenture, amounts in the account established in the Construction Fund with respect to any Project shall be applied to the purpose or purposes and in the manner specified in the Supplemental Indenture authorizing the Bonds for such Project

(c) The proceeds of insurance, including the proceeds of any self-insurance, maintained pursuant to the Trust Indenture against physical loss of or damage to a Project, or of contractor's performance bonds or other assurances of completion with respect thereto, pertaining to the period of construction thereof, shall be paid into the Account in the Construction Fund established for the Project.

(d) Notwithstanding any of the other provisions of Section 502 of the Trust Indenture, to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal of and interest on the Bonds when due.

(e) Any moneys remaining in the Construction Fund with respect to any Project after the completion of such Project and the payment of the Cost of Acquisition or Construction thereof shall be transferred to the Reserve Fund, if and to the extent necessary to make the amount in such Fund equal to the Reserve Requirement, and any balance shall be transferred to the University free and clear of the lien of the Trust Indenture.

Debt Service Fund (Section 504). (a) The Trustee shall pay out of the Debt Service Fund (1) out of the Interest Account, on each interest payment date for any of the Bonds the amount required for the interest payable on such date; (2) out of the Principal Account, on each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (3) out of the Interest Account, on any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. The Trustee shall also pay out of the Interest Account the accrued interest included in the purchase price of Bonds purchased for retirement.

(b) Amounts accumulated in the Principal Account with respect to any Sinking Fund Installment (together with amounts accumulated in the Interest Account with respect to interest on the Bonds for which such Sinking Fund Installment was established) may, and if so directed by the University, shall, be applied by the Trustee, on or prior to the 45th day preceding the due date of such Sinking Fund Installment to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. All purchases of any Bonds pursuant to this subsection (b) of this paragraph shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed by the University. The applicable sinking fund Redemption Price of any Bonds so purchased shall be deemed to constitute part of the Principal Account, until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, by giving notice as provided in Section 405 of the Trust Indenture, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Principal Account, on such 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.

(c) The amount, if any, deposited in the Interest Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on Bonds as provided in the Supplemental Indenture relating to the issuance of such Series of Bonds.

(d) In the event of the refunding of one or more Series of Bonds or one or more maturities within a Series of Bonds, the Trustee shall, upon the direction of the University, withdraw from the Debt Service Fund amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee to be held for payment of the principal or Redemption Price, if applicable, and interest on the Series or maturities within a Series of Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Series or maturities within a Series of Bonds being refunded shall be deemed to have been paid pursuant to subsection (b) of Section 1201 of the Trust Indenture.

<u>Reserve Fund (Section 505)</u>. (a) If five Business Days prior to any date on which a Principal Installment or interest is due the amount in the Debt Service Fund shall be less than the amount required to be in such Fund to pay said Principal Installment or interest, the Trustee shall apply amounts from the Reserve Fund to the extent necessary to make good the deficiency.

(b) Whenever the moneys on deposit in the Reserve Fund shall exceed the Reserve Requirement, such excess shall, on the request of the University, be transferred to the University free and clear of any lien or pledge of the Trust Indenture.

(c) Whenever the amount in the Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Reserve Fund shall be transferred to the Debt Service Fund. Prior to said transfer, all investments held in the Debt Service Fund shall be liquidated to the extent necessary in order to provide for the timely payment of principal and interest (or Redemption Price) on Bonds.

(d) In the event of the refunding of one or more Series of Bonds or one or more maturities within a Series of Bonds, the Trustee shall, upon the direction of the University, withdraw from the Reserve Fund amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Series or maturities within a Series of Bonds being refunded; provided that such withdrawal shall not be made unless (1) immediately thereafter the Series or maturities within a Series of Bonds being refunded shall be deemed to have been paid pursuant to subsection (b) of Section 1201 of the Trust Indenture and (2) the amount remaining in the Reserve Fund after such withdrawal shall not be less than the Reserve Requirement.

(e) Any Supplemental Indenture providing for the issuance of Bonds may provide for the University to obtain a Reserve Equivalent for specific amounts required to be paid out of the Reserve Fund. The amount available to be paid under any such Reserve Equivalent shall be credited against the amounts required to be maintained in the Reserve Fund by Section 505 of the Trust Indenture. If any such Reserve Equivalent is obtained for a Series of Bonds, a Supplemental Indenture may be entered into establishing the terms of its Reserve Equivalent. The terms of a Reserve Equivalent may include a provision that subsequent Reserve Equivalents must be acceptable to the provider of the Reserve Equivalent. A Supplemental Indenture providing for a Reserve Equivalent shall when delivered to the Trustee be accompanied by an opinion of Counsel that the Reserve Equivalent is valid, binding and effective according to its terms. Amounts in the Reserve Fund shall be used or committed completely before demand is made on the Reserve Equivalent. In the event the Reserve Equivalent is a surety bond, insurance policy or letter of credit, it shall conform to the requirements set forth under Reserve Fund Surety Guidelines in the Commitment for Municipal Bond Insurance issued by Financial Guaranty Insurance Company on November 10, 2003 and attached as an Exhibit to the Ninth Supplemental Indenture.

(f) (1) Expenses and interest repayable to Financial Guaranty Insurance Company under the Reserve Equivalent issued in connection with the Bonds, or to it or any other provider under any future Reserve Equivalent, shall be repayable from the excess in the Reserve Fund when, and as soon as, the moneys in the Reserve Fund exceed the Reserve Requirement before the transfer referred to in subsection (b) of this section at the times and in the amounts provided in the Reserve Equivalent.

(2) Draws repayable to Financial Guaranty Insurance Company under the Reserve Equivalent issued in connection with the Bonds, or to it or any other provider under any future Reserve Equivalent, shall be repayable from any amounts in the Reserve Fund at the times and in the amounts provided in the Reserve Equivalent subject to the terms of the Indenture including Section 704(f)(i) above.

<u>Creation of Additional Funds. Accounts, and Subaccounts; Separate Credit Enhancement Funds and Pledges (Section 507)</u>. (a) The Trustee shall establish within any Fund such Accounts in addition to the Accounts herein established as the University shall by Supplemental Indenture determine and shall in like manner establish within any Account such additional subaccounts for the purposes of such Account as the University shall so determine.

(b) The University may at any time, by adoption of a Supplemental Indenture, establish a Fund or Account in which to hold any Credit Enhancement and the proceeds thereof or drawings thereunder (a "Credit Enhancement Fund") for the benefit of any Series of Bonds to which such Credit Enhancement has been pledged, which pledge may be (but is not required to be) exclusively for the benefit of such Series of Bonds or certain designated Series of Bonds and not equally and ratably among all the Series of Bonds Outstanding. Amounts held in a Credit Enhancement Fund shall not be considered a part of the Trust Estate but, rather, shall be subject to such lien and pledge as may be created in the Supplemental Indenture creating or recognizing such Credit Enhancement.

(c) If the University creates a Credit Enhancement Fund, the University may, in the Supplemental Indenture authorizing the Series of Bonds to be secured by Credit Enhancement, treat any, or any part of any, obligation owed or which may in the future be owed to the Credit Enhancer pursuant to the Credit Enhancement as Additional Bonds if the University, at the time of issuance of said Series of Bonds and at the time of the creation of any such obligation, satisfies the requirements of this Indenture, which are conditions precedent to the issuance of Additional Bonds in which case the Trustee shall pay the principal of and interest on any such obligations in accordance with the terms of this Indenture treating such obligations as Additional Bonds.

Fees, Charges and Rentals (Section 708). The University shall from time to time and at all times fix, maintain and collect fees, charges and rentals, and the University shall adjust such fees, charges and rentals from time to time so that the Revenues shall be at least equal in each Fiscal Year to the greater of (a) the sum of: (1) an amount equal to the Aggregate Debt Service for such Fiscal Year; (2) the amount, if any, to be paid during such Fiscal Year into the Reserve Fund; (3) the amount of the draws, interest and expenses then due and owing under any Reserve Equivalent; and (4) all other amounts which the University may now or hereafter become obligated to pay from Revenues during such Fiscal Year by law or contract; and (b) an amount equal to at least 2.0 times the Aggregate Debt Service for such Fiscal Year.

Payment of Bonds (Section 701). The University shall duly and punctually pay or cause to be paid, the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner mentioned in the Bonds according to the true intent and meaning thereof.

Power to Issue Bonds and Pledge Revenues and Other Funds (Section 705). The University is duly authorized under Title 14, Chapter 40 of the Alaska Statutes, as amended (AS 14.40) and all other applicable laws to create and issue the Bonds and to adopt the Trust Indenture and to pledge and assign the Revenues and other moneys, securities and funds purported to be subject to the lien of the Trust Indenture in the manner and to the extent provided in the Trust Indenture. Except to the extent otherwise provided in the Trust Indenture, the Revenues, and other moneys, securities and funds 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 and assignment created by the Trust Indenture, and all corporate or other action on the part of the University to that end has been and will be duly and validly taken. The Bonds and the provisions of the Trust Indenture are and will be valid and legally enforceable obligations of the University in accordance with their terms and the terms of AS 14.40 and the Trust Indenture. The University shall at all times, to the extent permitted by law, defend, preserve and protect the pledge and assignment of the Revenues and other moneys, securities and funds pledged under the Trust Indenture and all the rights of the Bondowners under the Trust Indenture against all claims and demands of all persons whomever. The University further agrees to pay its general expenses from legislative appropriations from the State's general fund to the University before paying these expenses from the Revenue Fund.

Accounts and Reports (Section 710). (a) The University shall keep or cause to be kept proper books of records made of its transactions relating to the Revenues and each Fund and Account established under the Trust Indenture, which books shall at all times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than five (5) percent in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

(b) The Trustee shall advise the University promptly after the end of each month in its regular statements of the respective transactions during such month relating to each Fund and Account held by it under the Trust Indenture. The University shall have the right upon reasonable notice and during reasonable business hours to audit the books and records of the Trustee with respect to the Funds and Accounts held by the Trustee under the Trust Indenture.

(c) The University shall annually, within 180 days after the close of each Fiscal Year (the first such report to be filed with respect to the Fiscal Year ending June 30, 1992), file with the Trustee, and otherwise as provided by law, a copy of an annual report for such Fiscal Year, accompanied by an Accountant's Certificate, including the following statements in reasonable detail: a statement of assets and liabilities as of the end of such Fiscal Year; a statement of Revenues and expenses for such Fiscal Year; and a summary with respect to each Fund and Account established under the Trust Indenture of the receipts therein and disbursements therefrom during such Fiscal Year and the amount held therein at the end of such Fiscal Year. Such Accountant's Certificate shall state whether or not, to the knowledge of the signer, the University is in default with respect to any of the covenants, agreements or conditions on its part contained in the Trust Indenture, and if so, the nature of such default.

(d) The University shall file with the Trustee (1) forthwith upon becoming aware of any Event of Default or default in the performance by the University of any covenant, agreement or condition contained in the Trust Indenture, a certificate signed by an Authorized Officer of the University and specifying such Event of Default or default and (2) within 180 days after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 1992, a certificate signed by an Authorized Officer of the University stating that, to the best of his knowledge and belief, the University has kept, observed, performed and fulfilled each and every one of its covenants and obligations contained in the Trust Indenture and there does not exist at the date of such certificate any default by the University under the Trust Indenture or any Event of Default or other event which, with the lapse of time specified in Section 801 of the Trust Indenture, would become an Event of Default, or, if any such default or Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

(e) The reports, requested statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Trust Indenture shall be available for the inspection of Bondowners at the office of the Trustee and shall be mailed to each Bondowner who shall file a written request therefor with the University. The University may charge each Bondowner requesting such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

Tax Covenants (Section 711). (a) The University shall at all times do and perform all acts and things necessary or desirable including, but not limited to, compliance with provisions of a letter of instructions from Bond Counsel, as the same may be revised from time to time, in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

(b) The University shall not permit at any time or times any of the proceeds of the Bonds, Revenues or any other funds of the University to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148(a) and (e) of the Internal Revenue Code of 1986, as amended, and United States Treasury regulations promulgated thereunder or applicable thereto (the "Code").

(c) Section 711 of the Trust Indenture shall not apply to any Series of Bonds the interest on which is determined by the University not to be exempt from taxation under Section 103 of the Code, provided that no such Series of Bonds shall be issued unless a Counsel's Opinion is filed with the Trustee stating that the issuance of such

Series will not cause the interest on a tax-exempt Bond previously issued to be subject to taxation under Sections 103 and 141-150 of the Code.

(d) Notwithstanding any other provision of the Trust Indenture to the contrary, upon the University's failure to observe, or refusal to comply with, the covenants in Section 711 of the Trust Indenture, no person other than the Trustee or the Owners of Bonds of the specific Series affected shall be entitled to exercise any right or remedy provided to the above Owners under the Trust Indenture on the basis of the University's failure to observe, or refusal to comply with, the covenant

Events of Default (Section 801). Under the Trust Indenture each of the following is an Event of Default:

(a) If default shall be made in the due and punctual payment of the principal of or Redemption Price, if any, when and as the same shall become due on or with respect to any Bond, whether at maturity or upon call for redemption or otherwise;

(b) If default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor, when and as such interest installment or Sinking Fund Installment shall become due and payable.

(c) If default shall be made by the University in the performance or observance of any other of the covenants, agreements or conditions on its part in the Trust Indenture, in any Supplemental Indenture or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the University by the Trustee or to the University and to the Trustee by the Owners of not less than twenty-five (25) percent in principal amount of the Bonds Outstanding.

(d) If there shall occur the dissolution or liquidation of the University or the filing by the University of a voluntary petition in bankruptcy, or the commission by the University of any act of bankruptcy, or adjudication of the University as a bankrupt, or assignment by the University for the benefit of its creditors, or the entry by the University into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the University in any proceeding for its reorganization instituted under the provisions of the federal bankruptcy act, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted.

Remedies (Section 802). (a) Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) of Section 801 of the Trust Indenture, the Trustee shall proceed, and upon the happening and continuance of any Event of Default specified in paragraph (c) or (d) of Section 801 of the Trust Indenture, the Trustee may proceed and, upon the written request of the Owners of not less than twenty-five (25) percent in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject to the provisions of Sections 902 and 903 of the Trust Indenture, to protect and enforce the rights of the Bondowners by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondowners or the Trustee, including the right to require the University to receive and collect Revenues and to require the University to carry out any other covenants or agreements with Bondowners;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require the University to account as if it were the trustee of an express trust for the Owners of the Bonds for the Revenues and assets pledged under the Trust Indenture;

(4) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds;

(5) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with the written consent of the Owners of not less than twenty-five (25) percent in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or

(6) in the event that all Outstanding Bonds are declared due and payable, by selling, assigning or otherwise disposing of all of the Revenues and assets pledged under the Trust Indenture free and clear of the lien of the Trust Indenture.

(b) In the enforcement of any rights and remedies under the Trust Indenture, but subject to Sections 902 and 903 of the Trust 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 Trust 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 Bondowners, 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 Trust Indenture or a Supplemental Indenture, in any manner provided by law, the moneys adjudged or decreed to be payable.

(c) 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 Bondowners under the Trust 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 hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

<u>Bondowners' Direction of Proceedings (Section 805)</u>. The Owners 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 Trust Indenture, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Trust 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 Bondowners not parties to such direction.

<u>Responsibilities of Trustee (Section 902)</u>. (a) The recitals of fact in the Trust Indenture and in the Bonds contained shall be taken as the

statements of the University and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the Trust Indenture or of any Bonds issued thereunder or as to the security afforded by the Trust Indenture, and the Trustee shall not incur any liability in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds. The Trustee shall not be under any responsibility or duty with respect to the application of any moneys paid by the Trustee in accordance with the provisions of the Trust Indenture to the University. The Trustee shall not be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of subsection (b) of Section 902 of the Trust Indenture, the Trustee shall not be liable in connection with the performance of its duties thereunder except for its own negligence, misconduct or default

(b) The Trustee, prior to the occurrence of any Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Trust Indenture. In case an Event of Default has occurred (which has not been cured), the Trustee shall exercise such of the rights and powers vested in it by the Trust Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of the Trust Indenture relating to action taken or to be taken by the Trustee or to evidence of matters upon which the Trustee may rely shall be subject to the provisions of Section 902 of the Trust Indenture.

Resignation of Trustee (Section 906). The Trustee may at any time resign and be discharged of the duties and obligations created by the Trust Indenture by giving not less than sixty (60) days' written notice to the University and each Credit Enhancer, and mailing notice thereof to each Bondowner, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice, provided a successor shall have been appointed by the University or the Bondowners as provided in Section 908 of the Trust Indenture, and has accepted the appointment. Notwithstanding the foregoing, no resignation of the Trustee under Section 907 of the Trust Indenture or removal of the Trustee under Section 907 of the Trust Indenture shall take effect until a successor, acceptable to Ambac Indemnity, shall be appointed.

Removal of Trustee (Section 907). The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the University. The University may remove the Trustee at any time except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the University, by filing with the Trustee an instrument in writing signed by an Authorized Officer. Ambac Indemnity may remove the Trustee at any time the first or second Series of Bonds are Outstanding upon filing a request with the University if the Trustee has breached the duties under the Trust Indenture.

Appointment of Successor Trustee: Financial Qualifications of Trustee and Successor Trustee (Section 908). (a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the University, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the University and the predecessor Trustee; provided, nevertheless, that unless a successor Trustee shall have been appointed by the Bondowners as aforesaid, the University by a duly executed written instrument signed by an Authorized Officer shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondowners as authorized in Section 908 of the Trust Indenture. The University shall mail notice to each Bond-owner of any such appointment made by it within twenty (20) days after such appointment. Any successor Trustee appointed by the University shall, immediately and without further act, be superseded by a Trustee appointed by the Bondowners.

(b) If in a proper case no appointment of a successor Trustee shall be made pursuant to the provisions of Section 908 of the Trust Indenture within forty-five (45) days after the Trustee shall have given to the University written notice as provided in Section 906 of the Trust Indenture or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, removal, or for any reason whatsoever, the Trustee (in the case of its resignation under Section 906 of the Trust Indenture) or the Owner of any Bond (in any case) may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such may deem proper, appoint a successor Trustee.

(c) The Trustee appointed under the provisions of Article IX of the Trust Indenture or any successor to the Trustee shall be a trust company or bank organized and in good standing under the laws of the United States or of any state duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than $75,000,000, and acceptable to the Credit Enhancer. Any successor Paying Agent, if applicable, shall not be appointed unless the Credit Enhancer approves such successor in writing.

Merger or Consolidation (Section 910). Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States of America or a national banking association and shall be authorized by law to perform all the duties imposed upon it by the Trust Indenture, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

Supplemental Indentures Effective Upon Execution by the Trustee (Section 1001). For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be authorized by a resolution adopted by the University which, upon (a) the filing with the Trustee of a copy of such resolution certified by an Authorized Officer, and (b) the execution and delivery of such Supplemental Indenture by the University and the Trustee, shall be fully effective in accordance with its terms:

(1) To close the Trust Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Trust Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness.

(2) To add to the covenants and agreements of the University in the Trust Indenture, other covenants and agreements to be observed by the University which are not contrary to or inconsistent with the Trust Indenture as theretofore in effect.

(3) To add to the limitations and restrictions in the Trust Indenture, other limitations and restrictions to be observed by the University which are not contrary to or inconsistent with the Trust Indenture as theretofore in effect.

(4) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Sections 204, 306, and 505 of the Trust Indenture, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Trust Indenture as theretofore in effect or which give rights to or contain other provisions respecting a Credit Enhancer on a Series of Bonds similar to the rights given to Ambac Indemnity or the provisions respecting Ambac Indemnity contained in the Trust Indenture or to amend, modify or rescind any such authorization, specification, or determination at any time prior to the first authentication and delivery of such Bonds.

(5) To confirm, as further assurance, any pledge or assignment under, and the subjection to any lien, pledge or assignment created or to be created by, the Trust Indenture, of the Revenues or of any other moneys, securities or funds.

(6) To modify any of the provisions of the Trust Indenture in any other respect whatever, provided that (A) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of such Supplemental Indenture shall cease to be Outstanding, and (B) such Supplemental Indenture shall be specifically referred to in the next text of all Bonds of any Series authenticated and delivered after the date of such Supplemental Indenture.

<u>Supplemental Indentures Effective Upon Consent of Trustee (Section 1002)</u>. For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be authorized by a resolution adopted by the University which, upon (a) the filing with the Trustee of a copy of such resolution certified by an Authorized Officer, (b) the filing with the University of an instrument in writing made by the Trustee consenting thereto, and (c) the execution and delivery of such Supplemental Indenture by

the University and the Trustee, shall be fully effective in accordance with its terms:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Trust Indenture.

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

Supplemental Indentures Effective With Consent of Bondowners (Section 1003). At any time or from time to time, a Supplemental Indenture may be authorized by a resolution adopted by the University, subject to consent by Bondowners in accordance with and subject to the provisions of Article XI of the Trust Indenture, which Supplemental Indenture, upon (a) the filing with the Trustee of a copy of such resolution certified by an Authorized Officer, (b) compliance with the provisions of said Article XI, and (c) execution and delivery of such Supplemental Indenture by the University and the Trustee, shall become fully effective in accordance with its terms as provided in said Article XI.

Defeasance (Section 1201). (a) If the University shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the time and in the manner stipulated therein and in the Trust Indenture, and any amounts due and owing under any Reserve Equivalent, then the pledge and assignment of any Revenues and other moneys and securities pledged under the Trust Indenture and all covenants, agreements and other obligations of the University to the Bondowners, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the University to be prepared and filed with the University and, upon the request of the University shall execute and deliver to the University all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the University all moneys or securities held by it pursuant to the Trust Indenture which are not required for the payment of principal or Redemption Price, if applicable, and interest on Bonds. If the University shall pay or cause to be paid or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, or of a particular maturity within a 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 Trust Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Trust Indenture, and all covenants, agreements and obligations of the University to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. A Supplemental Indenture may modify this provision to provide that Bonds which are the subject of Credit Enhancement are not deemed paid if the Bonds are paid by a Credit Enhancer.

(b) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the University of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of Section 1201 of the Trust Indenture. Prior to the maturity or redemption date thereof, Bonds shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of Section 1201 of the Trust Indenture if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the University shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to mail as provided in Article IV of the Trust Indenture notice of redemption of such Bonds on said date, (2) there shall have been deposited with the Trustee either moneys (including moneys withdrawn and deposited pursuant to Section 505(d) or Section 504(d)) of the Trust Indenture in an amount which shall be sufficient, or Federal Obligations (including any Federal Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (3) the University shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with Section 1201 of the Trust 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 applicable, and interest on said Bonds. Neither Federal Obligations nor moneys deposited with the Trustee pursuant to Section 1201 of the Trust Indenture nor principal or interest payments on any such Federal Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Federal Obligations deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, after verification by a certified public accountant, shall be paid over to the University as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Trust Indenture, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Federal Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds, on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the University as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Trust Indenture. For the purposes of Section 1201 of the Trust Indenture, Federal Obligations shall mean and include only such Federal Obligations which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof.

(c) Anything in the Trust Indenture to the contrary notwithstanding and except to the extent otherwise required by law, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when such 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 six (6) years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Bonds became due and payable, shall, at the written request of the University, be repaid by the Trustee to the University, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the University for the payment of such Bonds.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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WOHLFORTH, JOHNSON, BRECHT, CARTLEDGE & BROOKING
A PROFESSIONAL CORPORATION

ERIC A. AUTEN
JULIUS J. BRECHT
CHERYL RAWLS BROOKING
CYNTHIA L. CARTLEDGE
MICHAEL GATTI
ROBERT M. JOHNSON
BRADLEY E. MEYEN
ERIC E. WOHLFORTH

ATTORNEYS AT LAW
900 WEST 5TH AVENUE, SUITE 600
ANCHORAGE, ALASKA 99501-2048

TELEPHONE
907.276.6401
FACSIMILE
907.276.5093
WEBSITE
www.wvjb.com

August __, 2005

Board of Regents
University of Alaska
910 Yukon Drive
Butrovich Building, Suite 207
Fairbanks, Alaska 99775

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Alaska and a record of the proceedings relating to the issuance of the University of Alaska (the "University") General Revenue Bonds, 2005 Series N (the "Bonds") in the aggregate principal amount of $24,355,000. The University constitutes a body corporate under Article VII, Section 2 of the Alaska Constitution.

The Bonds are authorized by and issued pursuant to Chapter 40, Title 14, of the Alaska Statutes, as amended (the "Act") and a Resolution of the Board of Regents of the University duly adopted on August 8, 2005, as confirmed, readopted, reapproved and ratified on August 23, 2005 (the "Resolution") and are issued pursuant to an indenture between the University, as Issuer, and The Bank of New York Trust Company, N.A., as successor trustee, dated as of June 1, 1992 (the "Master Indenture"), as supplemented by prior supplemental indentures and, specifically for the Bonds, by an Eleventh Supplemental Indenture between the University and the Trustee, dated as of August 1, 2005 (the "Supplemental Indenture" and together with the Master Indenture, the "Indenture") between the parties.

The Bonds bear interest at the rates per annum and mature on October in each of the years and in the respective principal amounts set out as follows:

Maturity Date (October 1)	Principal Amount	Interest Rate	Maturity Date (October 1)	Principal Amount	Interest Rate
2006	$255,000	3.00%	2021	$1,240,000	5.00%
2007	265,000	3.25	2022	1,170,000	5.00
2008	955,000	3.50	2023	800,000	5.00
2009	1,005,000	4.00	2024	725,000	4.25
2010	1,050,000	4.00	2025	510,000	4.30
2011	1,100,000	4.00	2026	535,000	4.30
2012	1,135,000	4.00	2027	555,000	4.35
2013	1,190,000	4.00	2028	580,000	4.35
2014	1,240,000	4.00	2029	225,000	4.40
2015	1,405,000	5.00	2030	235,000	4.45
2016	1,425,000	5.00	2031	245,000	4.45
2017	1,495,000	5.00	2032	255,000	4.50
2018	1,235,000	5.00	2033	270,000	4.50
2019	1,300,000	5.00	2034	280,000	4.50
2020	1,380,000	5.00	2035	295,000	4.50

The Bonds are being issued in fully registered form only. Interest on the Bonds is payable on October 1, 2005, and semiannually thereafter on April 1 and October 1 in each year. The Bonds are dated as of the date of delivery. The Bonds are subject to optional redemption and are otherwise of the description as provided or set forth in the Indenture.

In connection with the issuance of the Bonds, we have reviewed the Indenture and the certificate as to arbitrage of the University dated the date hereof (the "Tax Certificate"), an opinion of counsel to the University, certificates of the University, the Trustee and others, and other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) by any parties other than the University and the due and legal execution and delivery thereof by any parties other than the University. We have not undertaken to verify independently, and have assumed, accuracy of the factual matters represented, warranted or certified in the documents referred to in the preceding paragraph. Furthermore, we have assumed compliance with the covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights generally and to the application of equitable principles. Finally, we express no opinion as to the Official Statement or other offering material relating to the Bonds. All capitalized terms used herein and not defined herein are used with the meaning assigned to such terms by the Indenture.

Based upon the foregoing, we are of the opinion that, under existing law:

1. Under the Constitution and laws of the State of Alaska, the University has the power to adopt the Resolution, enter into the Indenture and perform the agreements therein on its part contained and to issue the Bonds.

2. The Indenture has been duly authorized, executed and delivered and constitutes a valid and legally binding obligation of the University enforceable in accordance with its terms.

3. The Bonds are valid and legally binding in accordance with their terms, have been executed by duly authorized persons, and constitute valid and legally binding special revenue obligations of the University, payable and enforceable in accordance with their terms and the terms of the Indenture. The Bonds do not constitute an indebtedness or liability of the State of Alaska or of any other subdivision thereof, except as a special obligation of the University as herein described.

4. Pursuant to the Act, the Indenture creates a valid lien on the Revenues pledged by the Indenture for the security of the Bonds on a parity with outstanding bonds previously issued under the Master Indenture and with Additional Bonds, if any, issued or to be issued under the Master Indenture.

5. Interest on the Bonds is excluded from gross income subject to federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") under existing statutes and court decisions. We are further of the opinion that the Bonds are not private activity bonds and interest on the Bonds is not an item of tax preference for purposes of determining alternative minimum taxable income for individuals or corporations under the Code. However, interest on the Bonds is taken into account in the computation of "adjusted current earnings" of a corporation for purposes of computing the federal corporate alternative minimum tax on corporations. The opinions

set forth in this paragraph are subject to the condition that the University comply with all requirements of the Code and the regulations applicable thereto that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The University has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no other opinion regarding other federal tax consequences relating to the ownership or disposition of, or the accrual or receipt of, interest on the Bonds.

6. Interest on the Bonds is exempt from taxation by the State of Alaska except for transfer, estate and inheritance taxes and except to the extent that inclusion of said interest in computing the corporate alternative minimum tax under Section 55 of the Code may affect the corresponding provisions of the State of Alaska corporate income tax.

7. The Bonds are not "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

Sincerely,

WOHLFORTH, JOHNSON, BRECHT,
CARTLEDGE & BROOKING, P.C.

Cynthia L. Cartledge

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the University of Alaska (the "Issuer") in connection with the issuance of $24,355,000 University of Alaska General Revenue Bonds, 2005 Series N (the "Bonds"). The Bonds are being issued pursuant to an Indenture dated as of June 1, 1992, as amended, between the Issuer and The Bank of New York Trust Company, N.A., as successor trustee (the "Trustee") and an Eleventh Supplemental Indenture dated as of August 1, 2005, between the Issuer and the Trustee (together, the "Indenture"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Beneficial Owners as required by Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Accounting Principles" shall mean the accounting principles applied from time to time in the preparation of the Issuer's annual financial statements, which initially are generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board of the Financial Accounting Foundation (or its successor).

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean the person in whose name a Bond is recorded as the beneficial owner of such Bond by the respective systems of The Depository Trust Company and each of the DTC's Participants or the registered owner of the Bond if the Bond is not then registered in the name of Cede & Co., as nominee of DTC.

"CEDE & Co." shall mean CEDE & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

"Commission" shall mean the Securities and Exchange Commission.

"DTC" shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"DTC Participant" shall mean trust companies, banks, brokers, dealers, clearing corporations, and certain other organizations that are participants of DTC.

"Disclosure Representative" shall mean the Vice President for Finance of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Trustee from time to time.

"DisclosureUSA" means a recognized repository by the Securities and Exchange Commission. All filings required by this Disclosure Certificate may be made to DisclosureUSA provided it continues to be a recognized repository of the Securities and Exchange Commission.

"Fiscal Year" shall mean any twelve-month period ending on June 30 or on such other date as the Issuer may designate from time to time.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule and as designated by the Commission.

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

"Repository" shall mean each National Repository and each Alaska's Repository (if one is created) as designated by the Commission.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the 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 and as designated by the Commission. As of the date of this Certificate, there is no State Repository.

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

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than December 15 of each year (the "Filing Date") (commencing in 2006 for the fiscal year ended June 30, 2006), provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 Disclosure Certificate.

(b) If the Issuer is unable to provide to the Repositories an Annual Report by December 15 of any year, the Issuer will send a written notice of failure to file an Annual Report to DisclosureUSA or each Repository and the Trustee.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the annual audited financial statement of the Issuer prepared in accordance with generally accepted Accounting Principles and financial information and operating data generally of the type included in the final official statement for the Bonds under the following headings:

(a) SECURITY FOR THE BONDS - Table 2: Revenues Pledged to General Revenue Bonds (for previous fiscal year);

(b) SECURITY FOR THE BONDS - Table 3: Combined Debt Service on General

Revenue Bonds and Other Indebtedness (for current fiscal year);

(c) GENERAL INFORMATION CONCERNING THE UNIVERSITY OF ALASKA - Table 5: On-Campus Fall Enrollment (for previous fiscal year);

(d) GENERAL INFORMATION CONCERNING THE UNIVERSITY OF ALASKA - Table 6: Student Enrollment (for previous fiscal year);

(e) GENERAL INFORMATION CONCERNING THE UNIVERSITY OF ALASKA - Table 7: Student Tuition per Credit Hour (for current fiscal year);

(f) GENERAL INFORMATION CONCERNING THE UNIVERSITY OF ALASKA - Table 8: Average Annual Full-Time Student Tuition and Fees (for current fiscal year);

(g) GENERAL INFORMATION CONCERNING THE UNIVERSITY OF ALASKA - Table 9: Annual Student Room and Board and Total Lower Division Educational Costs (for current fiscal year); and

(h) GENERAL INFORMATION CONCERNING THE UNIVERSITY OF ALASKA - Table 12: Summary of State Appropriations (for current fiscal year).

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

SECTION 5. Reporting of Significant Events.

(a) The Issuer will give notice of the following events in the manner and to the extent required by (d) and (e) of this Section:

1. Delinquency in payment when due of any principal of or interest on the Bonds.

2. Occurrence of any non-payment Event of Default under and as defined in the Indenture.

3. Amendment to the Indenture modifying the rights of the owners of the Bonds.

4. Providing notice of redemption of any Bonds.

5. Defeasance of the Bonds or any portion thereof.

6. Any change in any rating on the Bonds.

7. Adverse tax opinions or events affecting the Tax-exempt status of the Bonds.

8. Any unscheduled draw on the debt service reserves reflecting financial difficulties of the University.

9. Any unscheduled draw on the credit enhancement reflecting financial difficulties of the University.

10. Any substitution in the provider of the credit enhancement or any liquidity provider*, or any failure by the insurer or liquidity provider to perform pursuant to the terms of the credit enhancements or relevant documents.

11. The release, substitution or sale of property securing repayment of the Bonds (including property leased, mortgaged or pledged as such security).

(b) The Issuer will give notice to DisclosureUSA or each then existing Repository of any failure on its part to provide or cause to be provided an Annual Report on or prior to the Filing Date.

(c) The Issuer will give notice of any change in the Fiscal Year of the Issuer in the Annual Report.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for owners of Bonds.

(e) If the Issuer determines that knowledge of the occurrence of a Listed Event is material, the Issuer shall promptly file a notice of such occurrence with DisclosureUSA or the Repositories.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance (if notice is given as provided above), prior redemption or payment in full of all of the Bonds. Further, the Issuer's obligations hereunder shall be null and void if the Issuer (1) obtains an opinion of nationally recognized bond counsel to the effect that portions of this undertaking are invalid, have been repealed retroactively or otherwise do not apply to the Bonds, and (2) notifies each then existing Repository of such opinion and the cancellation of this undertaking, or any portion hereof, and each then existing Repository is provided with a copy of such opinion.

SECTION 7. DisclosureUSA. The Issuer 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 DisclosureUSA as provided at http://www.disclosureusa.org unless the Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the DisclosureUSA 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

* The Issuer has not obtained or provided, and does not expect to obtain or provide, any liquidity providers for the Bonds.

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 Disclosure Certificate, the Issuer may amend this Disclosure Certificate without the consent of the Beneficial Owners of the Bonds, and any provision of this Disclosure Certificate may be waived without the consent of the Beneficial Owners of the Bonds, provided (i) such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment, or waiver does not materially impair the interests of the Beneficial Owners of the Bonds; (ii) the undertakings governed by this Disclosure Certificate would have complied with the requirements of the Rule as of the date hereof, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; (iii) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identify, nature or status of the Issuer; and (iv) notice is provided to DisclosureUSA or each then existing Repository of such opinion and DisclosureUSA or each then existing Repository is provided with a copy of such opinion.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in an Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of a Bond may compel compliance by specific performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel specific performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: August __, 2005

UNIVERSITY OF ALASKA

By_________________________________
JOSEPH M. BEEDLE
Vice President for Finance

APPENDIX E

MBIA Insurance

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MBIA BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement.

MBIA does not accept any responsibility for the accuracy or completeness of the 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 MBIA as set forth in Appendix E. Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the University to the Paying Agent 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 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 MBIA 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 MBIA 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 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”).

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's 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 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the 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 MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA 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 Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the 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 Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") 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 MBIA. MBIA 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. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain.

The principal executive offices of MBIA 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, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA 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 MBIA "Aaa."

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

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA 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 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 Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2004, MBIA had admitted assets of $10.4 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2005 MBIA had admitted assets of $10.7 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, 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, 2004 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2005 and for the six month periods ended June 30, 2005 and June 30, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2005, 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 MBIA 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 MBIA 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, 2004; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.

Any documents, including any financial statements of MBIA 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 [Bonds/Securities] 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, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005) 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 MBIA at its principal executive offices.

There can be no assurances that payments made by the Insurer representing interest on the Bonds will be excluded from gross income, for federal tax purposes, in the event of nonappropriation by the Issuer.

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

SPECIMEN

Attest: ______________________________
Assistant Secretary

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