SUPPLEMENT TO OFFICIAL STATEMENT DATED JANUARY 15, 2008

$23,795,000
University of Alaska
General Revenue Bonds, 2008 Series O

The Official Statement dated January 15, 2008 for the above-referenced issue of bonds is supplemented as follows:

1. In Appendix E to the Official Statement, the following paragraphs are added immediately before the last paragraph following the caption "ASSURED GUARANTY CORP. – The Insurer – *Capitalization of Assured Guaranty Corp.*":

Recent Developments

On January 24, 2008, in order to provide the market current information, AGL issued a press release announcing selected financial information for the fourth quarter ended December 31, 2007. AGL provided this information in order to provide the market with recent information regarding, among other matters, the impact of market value declines on the valuation of its guaranties written in the form of credit default swaps.

AGL reported a $302.9 million ($4.39 per diluted share) fourth quarter 2007 after-tax unrealized mark-to-market loss on derivatives associated with financial guaranties written as credit default swaps. This mark-to-market loss in the fourth quarter was due to the decline in market values of the reference securities and is not due to rating agency downgrades of the reference securities. The mark-to-market loss does not reflect any case or portfolio loss reserves, policy claims or realized losses, nor does it affect AGL's claims-paying resources, rating agency capital or regulatory capital position. AGL's credit default swap contracts are substantially similar to AGL's financial guaranty insurance contracts and provide the counterparty with credit protection against payment default. AGL expects the net gain or loss on credit default swap exposure will amortize to zero as the exposure approaches its maturity date, unless there is a payment default on the exposure.

In a December 12, 2007 press release, Fitch affirmed Assured Guaranty's "AAA" rating with a stable outlook. In a December 14, 2007 announcement, Moody's affirmed Assured Guaranty's "Aaa" rating with a stable outlook. On December 19, 2007, S&P affirmed Assured Guaranty's "AAA" financial strength rating with a stable outlook. On January 17, 2008, S&P maintained Assured Guaranty's "AAA" rating with a stable outlook. Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are 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 any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

January 28, 2008

NEW ISSUE
BOOK ENTRY ONLY
COMPETITIVE SALE DATE: January 15, 2008

RATINGS: Standard & Poor's: AAA
Moody's Investors Service: Aaa
(See "Ratings" herein)

In the opinion of Bond Counsel, based on an analysis of existing statutes, regulations, 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 excludable from gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not treated as a preference item to be included in calculating the federal alternative minimum tax imposed under the Code on individuals and corporations; such interest, however, may be indirectly subject to corporate alternative minimum tax and other taxes imposed on certain 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 federal corporate alternative minimum tax may affect the corresponding provisions of the State of Alaska corporate income tax. See "TAX EXEMPTION" herein.

$23,795,000
UNIVERSITY OF ALASKA
General Revenue Bonds, 2008 Series O

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

The University of Alaska General Revenue Bonds, 2008 Series O Bonds (the "Bonds"), initially 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 April 1, 2008 and semiannually thereafter on October 1 and April 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 a Twelfth Supplemental Trust Indenture dated as of January 1, 2008 between the University and the Trustee. The Bonds are being issued to fund certain new capital projects of the University. See "THE USE OF BOND PROCEEDS" herein. The Bonds, together with $86,325,000 principal amount of general revenue bonds outstanding as of January 1, 2008 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.

The scheduled payment of the principal and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY CORP.

ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH™
AAA S&P • Aaa Moody's • AAA Fitch

MATURITY SCHEDULE

Due October 1	Principal Amount	Interest Rate	Price	CUSIP 914046*	Due October 1	Principal Amount	Interest Rate	Price	CUSIP 914046*
2008	$650,000	3.500%	100.575%	UK1	2017	$1,310,000	3.500%	100.979%	UU9
2009	995,000	3.500	101.374	UL9	2018	670,000	4.000	103.817†	UV7
2010	1,025,000	3.375	101.748	UM7	2019	695,000	4.000	102.825†	UW5
2011	1,050,000	3.375	102.022	UN5	2020	725,000	4.000	102.088†	UX3
2012	1,095,000	3.375	102.056	UP0	2021	795,000	4.000	101.196†	UY1
2013	1,140,000	3.375	102.042	UQ8	2022	830,000	4.000	100.394	UZ8
2014	1,175,000	3.375	101.883	UR6	2023	865,000	4.000	99.880	VA2
2015	1,220,000	3.375	101.450	US4	2024	900,000	4.000	99.154	VB0
2016	1,260,000	3.500	101.644	UT2					

$1,920,000 4.125% Term Bond due October 1, 2026, Price 99.287%, CUSIP 914046VC8
$1,685,000 4.125% Term Bond due October 1, 2028, Price 98.017%, CUSIP 914046VD6
$3,790,000 4.250% Term Bond due October 1, 2033, Price 98.002%, CUSIP 914046VE4

The Bonds were purchased at a public sale on January 15, 2008 by Robert W. Baird & Co., Inc. The Bonds are offered when, as and if issued subject to the approving legal opinion of Wohlforth, Johnson, Brecht, Cartledge & Brooking Anchorage, Alaska, Bond Counsel. It is expected that the Bonds, in book-entry form will be issued and available by Fast Automated Securities Transfer for delivery through the facilities of DTC in New York, New York on or about January 31, 2008.

* CUSIP numbers have been assigned to the Bonds by Standard & Poor's CUSIP Service Bureau, a division of the McGraw Hill Companies, Inc., 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.

† Priced to the first optional call date of October 1, 2017.

This Official Statement is furnished by the University to provide information regarding the sale of the Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The delivery of this Official Statement does not imply that information herein is correct as of any time subsequent to the date hereof.

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.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty makes no representation regarding, nor does it accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented in Appendix E, "Bond Insurance and Specimen Assured Guaranty Policy."

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
209D Butrovich Building
P.O. Box 756540
Fairbanks, Alaska 99775-6540
(907) 450-8079

Board of Regents

Administration

Mark R. Hamilton, President

Joseph Trubacz, Associate Vice President for Finance and Chief Financial Officer

Roger Brunner, General Counsel

Myron J. Dosch, Controller

Judy F. Brainerd, Senior Accountant and Debt Manager

Rosanne Bailey, Vice Chancellor for Administrative Services, University of Alaska Fairbanks

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

William H. Spindle, Interim Vice Chancellor for Administrative Services, University of Alaska Anchorage

Bond Counsel

Wohlforth, Johnson, Brecht, Cartledge & Brooking, P.C.
Anchorage, Alaska

Trustee

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

Financial Advisor

Kaplan Financial Consulting, Inc.
Wilmette, Illinois

THIS PAGE INTENTIONALLY

LEFT BLANK

$23,795,000
UNIVERSITY OF ALASKA
General Revenue Bonds, 2008 Series O

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY

LEFT BLANK

OFFICIAL STATEMENT

$23,795,000
UNIVERSITY OF ALASKA
General Revenue Bonds, 2008 Series O

INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to furnish information regarding the issuance of the University of Alaska General Revenue Bonds, 2008 Series O in the principal amount of $23,795,000 (the "Bonds"), the University of Alaska (the "University"), 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 a resolution 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 Twelfth Supplemental Trust Indenture (the "Twelfth Supplemental Trust Indenture") dated as of January 1, 2008 between the University and the Trustee. The Trust Indenture and the Twelfth Supplemental Trust Indenture are together referred to herein as the "Indenture."

The University is the only public institution of higher learning in the State of Alaska (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 $23,795,000. The Bonds will be dated as of their date of issuance and will bear interest from the dated date of the Bonds payable on April 1, 2008, and semiannually thereafter on October 1 and April 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, 2018 are subject to redemption at the option of the University, either as a whole or in part, in any order of maturity, on any date which shall be selected by the University, subject to the provisions of, and in accordance with the Indenture, on or after October 1, 2017, at a redemption price equal to 100 % of the principal amount of the Bonds being redeemed, plus accrued interest, if any, to the redemption date.

MANDATORY REDEMPTION

Unless previously redeemed pursuant to the foregoing optional redemption provisions, the Bonds maturing on October 1, 2026, 2028 and 2033 (the “Term Bonds”) are subject to redemption on October 1 of the following years and in the following principal amounts at 100% of the principal amount of the Bonds to be redeemed plus accrued interest, if any, to the redemption date.

Term Bonds Due October 1, 2026

Year	Sinking Fund Requirement
2025	$ 940,000
2026 (maturity)	980,000

Term Bonds Due October 1, 2028

Year	Sinking Fund Requirement
2027	$1,020,000
2028 (maturity)	665,000

Term Bonds Due October 1, 2033

Year	Sinking Fund Requirement
2029	$ 695,000
2030	725,000
2031	755,000
2032	790,000
2033 (maturity)	825,000

The Bonds owned by or for the account of the University will not be considered outstanding for purposes of either an optional or mandatory redemption of such 2008 Bonds.

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 Ratings Services, a Division of The McGraw-Hill Companies. So long as a book-entry system is used for determining beneficial ownership of the Bonds, notice of redemption will be sent to DTC, and any notice to the beneficial owners of the Bonds will be the responsibility of DTC. The University will not provide redemption notices to the beneficial owners.

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 the projects described below for University purposes, (ii) making a deposit into the Reserve Fund, and (iii) paying the costs of issuing the Bonds.

THE PROJECTS

Proceeds of the Bonds will be used by the University to finance certain capital projects which include the following:

UAA Parking Structure – This project consists of constructing a parking structure and loop road to provide a parking solution for the Integrated Science Building being constructed on the Anchorage campus.

UAF Research Laboratory Facilities – These Fairbanks campus projects consist of (i) renovation of approximately 19,800 gross square feet of existing space in the Arctic Health Research Building, into research laboratories and offices, and (ii) new research laboratory space in the basement of the State of Alaska Virology Building being built on the Fairbanks campus through a land lease agreement between the University of Alaska and the State of Alaska Department of Administration.

UAF Museum Expansion – This project consists of the completion of the expansion of the University of Alaska Museum of the North located on the Fairbanks campus. The museum expansion project doubled the size of the prior museum to approximately 90,000 gross square feet.

UAF School of Fisheries and Ocean Sciences Building at Lena Point in Juneau, Alaska – This project consists of the construction of approximately 31,000 gross square foot fisheries research facility located in Juneau, at Lena Point. The building is expected to have space for faculty and student offices, classrooms, research laboratories, and related administration.

UAS Campus Improvements – This project consists of the acquisition, renovation and remodel of an existing building near the Juneau campus for use by the University's administrative services and campus bookstore.

Upon completion of the projects mentioned above, and subject to the terms of the Indenture and authorization by the Board of Regents, remaining Bond proceeds, if any, may be used to finance other qualified capital projects.

Table 1
UNIVERSITY OF ALASKA
Sources and Uses of Funds

Sources:	
Bond Principal	$23,795,000
Net Original Issue Premium	117,348
Total Sources	**$23,912,348**
Uses:	
Deposit to Construction Fund	$22,850,747
Deposit to Reserve Fund	651,899
Costs of Issuance, including underwriting discount and bond insurance premium	409,702
Total Uses	**$23,912,348**

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 December 6, 2007 and a Twelfth Supplemental Indenture dated January 1, 2008 by and between the University and the Trustee. Since 1992, the University has issued thirteen series of general revenue bonds totaling $151.875 million of which $86.325 million are currently outstanding, as of January 1, 2008. Upon issuance of the Bonds, $110.12 million 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, facilities and administrative 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 AS 14.40.400.

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
($'s in 000's)

	2003	2004	2005	2006	2007
Student Tuition and Fees, net	$ 54,569	$ 61,496	$ 69,488	$ 79,042	$ 84,469
Recovery of Indirect Costs	26,545	29,724	31,217	31,985	30,937
Sales and Services of Educational Depts.	3,681	3,415	3,446	3,361	3,688
Other Sources, Net of Gifts[(2)]	11,739	12,327	11,651	12,078	14,837
Total Auxiliary Enterprises	32,283	34,605	36,033	37,617	38,849
Total Pledged Revenue	$128,817	$141,567	$151,835	$164,083	$172,780
Fiscal year debt service	$ 5,091	$ 6,171	$ 7,036	$ 7,381	$ 7,899
Coverage	25.3X	22.9X	21.6X	22.2X	21.9X

(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.

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 December 19, 2007, the Reserve Fund held Investment Securities with a market value of approximately $3.4 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."

On December 14, 2007, Moody's Investors Service ("Moody's") placed its Aaa rating of Financial Guaranty Insurance Company ("FGIC") on review for possible downgrade. On December 19, 2007, Standard & Poor's placed its AAA rating of FGIC on CreditWatch with negative implications. If the rating of the claims paying ability of FGIC falls below either Moody's Aaa or Standard & Poor's AAA, then, at a minimum, the University is required to either (i) deposit into the Reserve Fund an amount sufficient to cause the cash or permitted investments on deposit in the Reserve Fund to equal the Reserve Requirement on all outstanding Bonds, such amount to be paid over the ensuing five years (or over one year, if the claims paying ability of FGIC falls below A) or (ii) replace such instrument with a surety bond, insurance policy of letter of credit meeting certain Indenture requirements. It is uncertain at this time whether, or to what degree, Moody's or Standard & Poor's will downgrade its ratings of FGIC.

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 is based on pledged Revenues for fiscal year 2007 (see Table 2, "Revenues Pledged to General Revenue Bonds"), and the annual debt service requirements on all General Revenue Bonds, including the Bonds. See Table 3, "Combined Debt Service on General Revenue Bonds and Other Indebtedness."

Pledged Revenues for Fiscal Year Ending June 30, 2007	$172,780,000
Maximum Aggregate General Revenue Bond Debt Service including the Bonds (Fiscal Year 2012)	$ 9,344,335
Coverage	18.5X

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

Fiscal Year	Debt Service Outstanding Revenue Bonds (1)	2008 Series O Principal	2008 Series O Interest	2008 Series O Total	Total General Revenue Bond Debt Service	Other Indebtedness (2)	Total
2008	$ 7,904,044	$ -	$ 152,974	$ 152,974	$ 8,057,018	$ 3,183,262	$ 11,240,280
2009	7,494,155	650,000	891,425	1,541,425	9,035,580	3,059,897	12,095,477
2010	7,479,180	995,000	862,638	1,857,638	9,336,818	3,027,417	12,364,235
2011	7,487,420	1,025,000	827,928	1,852,928	9,340,348	2,991,034	12,331,382
2012	7,501,423	1,050,000	792,913	1,842,913	9,344,335	2,971,305	12,315,640
2013	7,490,410	1,095,000	756,716	1,851,716	9,342,126	1,798,277	11,140,403
2014	7,102,338	1,140,000	719,000	1,859,000	8,961,338	1,680,438	10,641,776
2015	6,970,334	1,175,000	679,934	1,854,934	8,825,268	1,606,365	10,431,633
2016	7,076,793	1,220,000	639,519	1,859,519	8,936,311	1,606,365	10,542,676
2017	7,033,095	1,260,000	596,881	1,856,881	8,889,976	1,526,335	10,416,311
2018	7,027,059	1,310,000	551,906	1,861,906	8,888,965	1,500,000	10,388,965
2019	6,333,384	670,000	515,581	1,185,581	7,518,966	1,500,000	9,018,966
2020	6,332,213	695,000	488,281	1,183,281	7,515,494	1,500,000	9,015,494
2021	6,348,051	725,000	459,881	1,184,881	7,532,932	1,500,000	9,032,932
2022	6,131,148	795,000	429,481	1,224,481	7,355,629	1,500,000	8,855,629
2023	5,922,018	830,000	396,981	1,226,981	7,148,999	1,500,000	8,648,999
2024	4,762,771	865,000	363,081	1,228,081	5,990,853	1,501,363	7,492,216
2025	3,801,273	900,000	327,781	1,227,781	5,029,054		5,029,054
2026	3,557,885	940,000	290,394	1,230,394	4,788,279		4,788,279
2027	3,557,178	980,000	250,794	1,230,794	4,787,971		4,787,971
2028	3,559,076	1,020,000	209,544	1,229,544	4,788,620		4,788,620
2029	2,149,339	665,000	174,791	839,791	2,989,129		2,989,129
2030	939,168	695,000	146,306	841,306	1,780,474		1,780,474
2031	940,319	725,000	116,131	841,131	1,781,450		1,781,450
2032	299,951	755,000	84,681	839,681	1,139,633		1,139,633
2033	298,763	790,000	51,850	841,850	1,140,613		1,140,613
2034	301,950	825,000	17,531	842,531	1,144,481		1,144,481
2035	299,575				299,575		299,575
2036	301,638				301,638		301,638
	$ 136,401,946	$ 23,795,000	$ 11,794,924	$ 35,589,924	$ 171,991,870	$ 33,952,058	$ 205,943,928

Source: University of Alaska

(1) Does not include debt service on the Bonds.

(2) Other indebtedness consists primarily of $21.8 million outstanding note payable to the Alaska Housing Finance Corporation (AHFC). See Table 4, "Schedule of Long-Term Debt" for a description of the security provisions of the AHFC obligation.

Table 4
UNIVERSITY OF ALASKA
Schedule of Long-Term Debt
January 1, 2008

	Interest Rates	Interest Payment Dates	Issue Date	Final Maturity Date	Amount Issued	Outstanding January 1, 2008
Installment Contracts	2.78 - 4.77%	Quarterly	Various	04-15-17	$ 3,331,810	$ 2,035,293
Notes Payable [(1)]						
Alaska Housing Finance Corp. (AHFC) [(1)]	1.826%	8-1/2-1	05-14-97	02-01-24	$ 33,000,000	$ 20,170,899
Bunnell Park [(2)]	8.0%	9-15	09-15-06	09-15-11	4,646,528	3,854,497
					$ 37,646,528	$ 24,025,396
Revenue Bonds						
General Revenue Bonds, 1998 Series H	4.35 - 4.85%	10-1/4-1	12-17-98	10-01-23	$ 9,820,000	$ 9,515,000
General Revenue Bonds, 1999 Series J	4.00 - 5.00%	10-1/4-1	04-27-99	10-01-17	14,295,000	7,025,000
General Revenue Bonds, 2002 Series K	1.40 - 5.00%	10-1/4-1	07-31-02	10-01-28	33,515,000	28,635,000
General Revenue Bonds, 2003 Series L	3.00 - 4.70%	10-1/4-1	12-09-03	10-01-30	9,970,000	7,385,000
General Revenue Bonds, 2004 Series M	3.25 - 4.75%	10-1/4-1	01-08-04	10-01-28	11,070,000	9,930,000
General Revenue Bonds, 2005 Series N	3.00 - 5.00%	10-1/4-1	08-31-05	10-01-35	24,355,000	23,835,000
					$ 103,025,000	$ 86,325,000
Total Long-Term Debt					$ 144,003,338	$ 112,385,689

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.

(2) Endowment investment property, adjacent to the Fairbanks campus, was purchased in part through issuance of a note payable in the amount of $4.6 million. The note payable is being paid from endowment earnings and is not secured by Revenues as defined in the Indenture.

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 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. 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, business and public policy, education and health and social welfare, as well as the schools of engineering, nursing and social work. In addition, master's degrees are offered in twenty-six programs from the campus's 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 two military bases in the Anchorage area.

The University of Alaska Fairbanks is a comprehensive, four year, doctoral degree-granting institution with four professional schools and four 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 four colleges are the College of Liberal Arts, the College of Engineering and Mines, the College of Natural Science and Mathematics, and the College of Rural and Community Development, 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, the 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 Tanana Valley Campus, one of the College of Rural and Community Development branch campuses, which is located in Fairbanks, focuses on the two-year educational mission and also offers courses at four military bases in the Fairbanks area. The University of Alaska Fairbanks is the university system’s organized research hub. The wide range of science conducted is supported by a number of research centers and institutes.

The multi-mission university located in Juneau is referred to herein as the “University of Alaska Southeast” and 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 Commission on Colleges and Universities. 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 eleven 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 State 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:

Mary K. Hughes, Chair
Michael Snowden, Secretary
William Andrews, Student Regent
Fuller Cowell
Patricia Jacobson
Kirk Wickersham

Cynthia Henry, Vice Chair
Carl Marrs, Treasurer
Timothy C. Brady
Erik Drygas
Bob Martin

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 Trubacz, Associate Vice President for Finance and Chief Financial Officer, UA
Roger Brunner, General Counsel, UA
Myron J. Dosch, Controller, UA
Judy F. Brainerd, Senior Accountant and Debt Manager, UA
Rosanne Bailey, Vice Chancellor for Administrative Services, UAF
Carol L. Griffin, Vice Chancellor for Administrative Services, UAS
William H. Spindle, Interim Vice Chancellor for Administrative Services, UAA

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 Trubacz was appointed Associate Vice President for Finance and Chief Financial Officer in December 2006. Prior to that appointment he served as the Interim Vice Chancellor of Administrative Services at the University of Alaska Fairbanks (UAF) for the period October 2005 through August 2006, and had directed the fiscal operations at UAF since 2001, first as director of financial services and then as associate vice chancellor of finance and business operations. Mr. Trubacz has seventeen years of experience with the University system, including fiscal and administrative management of the Institute of Northern Engineering/Arctic Region Supercomputing Center and oversight of the Planning, Analysis and Institutional Research department at UAF. Mr. Trubacz earned a B.B.A. from the University of New Hampshire in 1981 and an M.B.A. in accounting from the Southern New Hampshire University in 1983.

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.

Myron J. Dosch, CPA, was appointed Controller for the University Statewide System in March 2006. Prior to that appointment, he served as Assistant Controller, Finance for one year with primary responsibility for debt management. Mr. Dosch has twelve years of experience with the University system – the last two years as Controller for the University, 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 a B.B.A. in Accounting from Gonzaga University in 1990 and an M.B.A. with an emphasis in capital markets from the University of Alaska Fairbanks in 2002.

Judy F. Brainerd, started as Senior Accountant and Debt Manager for the University Statewide System in August 2007. Prior to this position, she served as Interim Director of Finance at the University of Alaska Fairbanks (UAF) for the period December 2006 through July 2007, and seven years with Financial Services at UAF, first as an accountant and then Assistant Director of Finance. Ms. Brainerd has over twenty-seven years of experience with the University system – she has also held fiscal and accounting positions in the College of Liberal Arts and Institute of Marine Sciences, both at UAF. Ms. Brainerd graduated from the University of Alaska Fairbanks with a B.B.A. in Accounting in 1979.

Rosanne Bailey was appointed Vice Chancellor for Administrative Services at the University of Alaska Fairbanks in August 2006. Prior to coming to the University she had nearly three decades of service with the military, which included command positions at multiple duty stations. Ms. Bailey served as commander of the 354th Logistics Group at Eielson Air Force Base, located near Fairbanks from 1996 to 1998. In 2002, Ms. Bailey was promoted to Brigadier General. Her last position was commander of the Cheyenne Mountain Operations Center in Colorado. Ms. Bailey received her bachelor's degree in Industrial Management from Purdue University in 1973 and her master's degree in Engineering Management from the Air Force Institute of Technology in 1984.

Carol L. Griffin was appointed Vice Chancellor for Administrative Services at the University of Alaska Southeast (UAS) in August 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.

William H. Spindle, Ed.D., was appointed Interim Vice Chancellor for Administrative Services at the University of Alaska Anchorage (UAA) in June 2007. Prior to this appointment, Dr. Spindle was the Director of Business Services beginning in 1999. Dr. Spindle began his University of Alaska experience in 1997, serving as the Deputy Chief Procurement Officer and the Interim Chief Procurement Officer until 1999. Prior to coming to the University, he served for twenty-five years in the Air Force managing business organizations. His final position was as the Director of Contracting for Pacific Air Force Command. He retired in 1997 as a colonel. Dr. Spindle earned his bachelor's degree in Engineering Management from the United States Air Force Academy in 1972, an M.B.A. from Boston University in 1978 and his Ed.D. from the University of La Verne in 2007.

FACULTY AND EMPLOYEES

The University's faculty and staff total approximately 4,473 regular employees and 3,613 temporary employees as of fall 2007. Members of the University's full-time regular instructional and research faculty total 1,309, 68% of which hold tenure or tenure-track faculty appointments as of fall 2007. Including part-time faculty, there were 338 professors, 345 associate professors, 581 assistant professors and 1,217 instructors as of fall 2007. For fiscal 2007, total University compensation and benefits was $407.0 million, including union affiliated employees. As of October 1, 2007, there were approximately 323 employees affiliated with the Alaska Community Colleges' Federation of Teachers (ACCFT), 942 employees affiliated with the American Association of University Professors/United Academics, 1,009 employees affiliated with the United Academic-Adjuncts, and 280 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

Approximately 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 for the near future 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
2002	19	354	1,281	855	187
2003	36	428	1,245	848	187
2004	20	501	1,288	925	224
2005	25	571	1,304	810	222
2006	21	510	1,443	939	254
2007	33	643	1,419	969	286

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. Closing figures for the fall semester are not available until January, but are monitored periodically during the semester.

Table 5
UNIVERSITY OF ALASKA
On Campus Fall Enrollment

	Head Count			Full-Time Equivalent			Total
Fall `	**Under-graduate**	**Graduate**	**Total**	**Under-graduate**	**Graduate**	**Total**	**Credit Hours Taken**
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
2005	30,248	2,243	32,491	16,236	1,161	17,397	255,798
2006	30,538	2,298	32,836	16,279	1,262	17,541	257,652
2007*	29,848	2,203	32,051	16,108	1,225	17,333	254,627

* Preliminary as of December 19, 2007, subject to change.

Source: University of Alaska.

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					
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%
2005	5,217	3,437	65.9%	2,945	85.7%
2006	5,386	3,475	64.5%	3,094	89.0%
2007	5,211	3,991	76.6%	3,006	75.3%
Transfer Student Enrollment					
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%
2005	2,705	1,665	61.6%	1,309	78.6%
2006	2,579	1,517	58.8%	1,291	85.1%
2007	2,572	1,837	71.5%	1,241	67.6%
Total Undergraduate Student Enrollment					
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%
2005	7,922	5,102	64.4%	4,254	83.4%
2006	7,965	4,992	62.7%	4,385	87.8%
2007	7,783	5,828	74.9%	4,247	72.9%
Total Graduate Student Enrollment					
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%
2005	1,324	550	41.5%	508	92.4%
2006	1,197	509	42.5%	451	88.6%
2007	1,227	601	49.0%	484	80.5%

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	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09
Undergraduate lower div, resident	$82	$90	$99	$109	$120	$128	$134	$141
Undergraduate upper div, resident	93	102	112	123	135	144	151	159
Undergraduate lower div, nonresident	256	281	330	363	399	427	448	471
Undergraduate upper div, nonresident	267	293	343	377	414	443	465	489
Graduate, resident	184	202	222	244	268	287	301	316
Graduate, nonresident	358	393	453	498	547	586	615	646

Source: University of Alaska.

In September 2007, the Regents approved a 5% increase in tuition for resident and non-resident students for the 2008-2009 and 2009-2010 academic years. 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 2007, average annual fees at Fairbanks were $636, compared to $464 at Anchorage and $528 at Southeast.

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

Student Classification	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Undergraduate, resident	$ 2,953	$ 3,206	$ 3,545	$ 4,166	$ 4,538	$ 4,818
Undergraduate, nonresident	8,173	8,936	10,475	12,807	12,908	13,788
Graduate, resident	4,744	5,178	5,708	6,589	7,197	7,682
Graduate, nonresident	8,920	9,758	11,252	12,807	13,893	14,858

*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. 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)	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 -2007	2007 -2008
Room and Board	$4,950	$5,130	$ 5,210	$ 5,580	$ 6,030	$ 6,030
Tuition, Fees, Books and Supplies	4,247	4,430	4,866	4,955	5,238	5,518
Combined Total	$9,197	$9,560	$10,076	$10,535	$11,268	$11,548

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 State residents for post-secondary education in and outside of the State.

Table 10
UNIVERSITY OF ALASKA
Summary of Financial Aid
For Fiscal Years Ending June 30

	2003	2004	2005	2006	2007
Scholarships, Grants and Awards					
Federal – Pell Grants	$ 8,330,910	$ 8,976,670	$ 9,292,803	$ 8,988,858	$ 8,894,141
Federal – Other	673,948	680,773	623,349	690,200	748,948
UA Foundation	512,837	466,002	553,942	661,402	636,849
Institutional	6,673,264	7,319,990	7,396,239	7,999,395	8,224,422
Other	5,407,563	5,456,341	6,500,079	6,093,391	5,914,152
Total	$21,598,522	$22,899,776	$24,366,412	$24,433,246	$24,418,512
Loans					
Alaska Student Loans	$12,614,466	$13,644,959	$15,276,875	$20,925,296	$21,701,738
Federal	25,526,115	30,475,893	36,826,805	39,452,184	41,500,450
Other	46,248	173,043	215,485	494,692	644,371
Total	$38,186,829	$44,293,895	$52,319,165	$60,872,172	$63,846,559
Student Employment excluding overtime	$15,300,617	$16,534,008	$17,142,996	$16,949,366	$17,267,532
Total	$75,085,968	$83,727,679	$93,828,573	$102,254,784	$105,532,603

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 established the Education Trust of Alaska ("Trust") and converted the program from a prepaid tuition program to a full-range college savings and investment program. T. Rowe Price was selected as program manager. The Trust offers three separately marketed 529 college savings plans: The UA College Savings Plan, marketed directly to investors within the State of Alaska; the T. Rowe Price College Savings Plan nationally marketed directly to investors; and John Hancock Freedom 529 nationally marketed through authorized financial advisors. Each of these plans is open to eligible individuals regardless of state of residence. Each of these plans has different investment options. Since the Trust was established in May 2001, assets under management in the program have grown from $25 million to approximately $3.1 billion, with over 18,000 Alaskans having established accounts in the plan. 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. Morningstar, Inc. has 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, three out of the last four years.

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.

MUSEUM

The expanded University of Alaska Museum of the North located on the Fairbanks campus opened in Fall 2005, and has brought national and international media attention to Alaska. The $42 million museum expansion project doubled the size of the existing museum to approximately 90,000 gross square feet. Features of the museum 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 96,000 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 34 faculty and staff housing units. Average occupancy ratio was 90% in Fall 2007. 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 of the University. 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. (For more information about capital assets, see Note 6 in Appendix A – University of Alaska Audited Financial Statements Fiscal Year Ending June 30, 2007).

December 30	Original Project Cost	Adjusted Gross Value	Square Feet	Buildings	Average Age weighted by GSF
2006	$950,010,600	$1,608,540,600	6,681,305	393	30.4 years

Infrastructure, leasehold and other improvements have a historical cost of $102.1 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 2008 total $12.9 million, which includes $2.5 million for the purchase of a building in Homer for the Kenai Peninsula College (University of Alaska Anchorage extended site) and $10.4 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 $85 million to construct a 120,000 gross square foot core science instructional and laboratory facility on the Anchorage campus to be completed in summer 2009, $34 million to construct a 100,000 gross square foot addition to the library in Anchorage completed in August 2004, $8.0 million for a classroom addition in Juneau completed in November 2002, $5.5 million for a joint use facility in Juneau for the University student recreation and the Army National Guard Readiness Center, and $17.0 million for a $42 million renewal and expansion of the University's museum in Fairbanks completed in the fall 2006. 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 2002, the State of Alaska issued $230 million of general obligation bonds for the replacement and improvement of education and museum facilities. This issue provided $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. For fiscal year 2009 through 2014, the capital plan totals $1,565.9 million, of which $813.1 million is new construction, $720 million is for major renewal, renovation, and code compliance of the University's facilities and equipment and $32.8 million for planning and other capital needs.

The University continues to monitor its deferred and imminent renewal needs. For fiscal year 2009, approximately $700 million has been identified as deferred or imminent renewal needs for the University's approximately 6.7 million square feet of physical plant that has an adjusted gross value of approximately $1.6 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 regular employees 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.

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 Alaska Retirement Management Board 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, 2007). 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					
FY05	6.75%	8.65%	8.65%	NA	
FY06	6.75%	8.65%	8.65%	NA	
FY07[(1)]	6.75%	8.65%	8.65%	NA	
FY08[(1)]	6.75%	8.65%	8.65%	NA	
Employer Contribution Rate					
FY05	10.58%	16.00%	13.00%	7.65%	
FY06[(2)]	15.58%	21.00%	16.33%	7.65%	
FY07[(2)]	20.58%	26.00%	21.00%	7.65%	
FY08[(2)]	22.00%	12.56%	19.85%	7.65%	
Employer Contributions ($ in thousands)					
FY04	$ 6,732	$4,860	$5,762	$12,658	$30,012
FY05	$13,075	$6,769	$7,133	$12,896	$39,873
FY06	$20,226	$9,168	$9,392	$13,310	$52,096
FY07	$26,724	$11,238	$13,085	$13,430	$64,487

(1) ORP employee contribution in FY08 and FY07 is 8.0% for employees hired on or after July 1, 2006.
(2) ORP employer contribution in FY08, FY07 and FY06 is 12.0% for employees hired on or after July 1, 2005.

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 State 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) (3)]
For Fiscal Years Ending June 30
($'s in 000's)

	2004	2005	2006	2007	2008
Operating:					
General Operating Bill [(1)]	$212,514	$228,065	$245,165	$279,449	$289,236
Separate/Special Legislation [(2)]	5,231	4,803	7,347	7,965	7,153
Total	$217,745	$232,868	$252,512	$287,414	$296,389
Capital:					
Capital Expenditures - New	$ -	$ -	$ 37,650	$ 58,500	$ 3,750
Revitalization, Facility Renewal, Deferred Maintenance	3,641		9,850	48,725	8,475
Separate/Special Legislation	450	450	550	715	640
Total	$ 4,091	$ 450	$ 48,050	$107,940	$ 12,865

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 through 2008 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 $18.78 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. The reimbursement is subject to annual legislative appropriation.

3) The State of Alaska Governor's fiscal year 2009 proposed budget for the University of Alaska includes a $19.7 million operating budget increase and a capital budget of $40.0 million for major renewal and renovation of existing facilities. Final appropriations to the University are subject to the 2008 Alaska State Legislative session commencing on January 15, 2008.

Source: University of Alaska.

LAND GRANT

On July 25, 2005, Alaska's governor approved a transfer of approximately 250,000 acres of State land to the University. As provided by Alaska Statute 14.40.365, the lands will be conveyed to the University by July 1, 2008 with the exception of two parcels subject to native allotments, parcels subject to borough formations, and one 52,000 acre forestry research parcel being transferred in 50 years. The intent of the Legislature is to provide the University with an equitable land grant as originally envisioned in the federal land grant of 1915 and to provide the University ownership of a significant portfolio of income producing land to help fund public higher education in the State of Alaska. Proceeds and royalties received from property development will be deposited into the land grant trust endowment fund. The lands will be recorded at zero basis when no determinable fair value is available at the time of transfer. The legislation has been challenged and management does not believe the outcome will have a material effect on the University's financial statements.

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 ("Foundation"). The University and the Foundation also directly solicit privately funded grants in support of the University's mission. Private gift and fund raising efforts are directed toward program support and toward building endowments.

THE UNIVERSITY OF ALASKA FOUNDATION

The Foundation is a public nonprofit corporation established as a public charity 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 and is governed by its own board of trustees. This twenty to thirty member board establishes the Foundation's investment policy for the endowments and non-endowed funds, 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. Most scholarship, endowment and other privately established funds to benefit the University are under the care of the Foundation.

Beginning July 1, 2006, the Foundation implemented an administrative fee on gifts and endowments to support the Foundation's operations and provide funds to the University for fundraising expenses as follows:

> Gifts – All cash gifts are assessed 1% of the gift value at the time of the gift. Noncash gifts are assessed 1% at the time of conversion to cash by the Foundation, based on the proceeds received.
>
> Endowments – 1% is assessed by the Foundation annually based on the asset valuation at the end of the previous calendar year.
>
> Land Grant Trust Fund Assets – .16% is assessed by the Foundation annually based on the asset valuation of the University's land grant trust fund assets invested by the Foundation as of the end of the previous calendar year.

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 (by the above mentioned Investment Committee) under an 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
For Fiscal Years Ending June 30

	2003	2004	2005	2006	2007
Revenues, gains and other support					
Donations and Bequests	$ 13,365,460	$ 14,166,842	$ 12,217,785	$ 18,218,886	$ 20,033,607
Investment income	2,478,462	2,915,211	3,160,203	3,234,414	3,747,515
Net realized and unrealized gains and losses	574,472	5,968,566	6,031,552	9,057,560	17,183,048
Other (includes transfers from the University)	219,153	366,214	494,986	132,461	1,064,541
Actuarial adjustment of remainder trust obligations	(17,854)	(25,797)	(4,270)	(23,125)	(8,651)
Total	$ 16,619,693	$ 23,391,036	$ 21,900,256	$ 30,620,196	$ 42,020,060
Distributions to the University	$ 8,687,250	$ 12,058,245	$ 18,911,891	$ 15,311,532	$ 15,510,503
Net Assets:					
Unrestricted	$ 25,943,362	$ 29,438,405	$ 31,520,614	$ 37,228,379	$ 43,757,289
Temporarily restricted	47,578,633	50,961,840	49,637,723	56,212,188	71,759,108
Permanently restricted	39,613,953	43,786,375	45,378,264	47,631,236	50,444,595
Total Net Assets	$ 113,135,948	$ 124,186,620	$ 126,536,601	$ 141,071,803	$ 165,960,992

Source: University of Alaska Foundation Audited Financial Statements.

ENDOWMENT FUNDS

As of June 30, 2007, the University held financial and real estate endowment net assets of $194.2 million separate from the Foundation. Of this amount $193.0 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, 2007, 83,200 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 14 with “Real Property” and “Land Sale Receivables”) of approximately $39.1 million and approximately $6.4 million in installment sales contracts receivable, as of June 30, 2007.

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.

Approximately 0.2% of the Consolidated Endowment Fund has exposure to sub-prime investments as of June 30, 2007.

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

	2003	2004	2005	2006	2007
Unrestricted Endowment Income	$ 4,835	$ 4,406	$ 4,959	$ 5,827	$ 6,295
Land Grant Trust Assets					
Cash and Investments	$ 79,351	$ 91,238	$112,547	$124,285	$146,029
Land Sale Receivables	5,802	5,212	6,126	5,709	6,430
Real Property	36,177	35,524	35,088	37,402	39,088
Other	2,472	2,124	1,071	1,623	1,496
Total Land Grant Trust Net Assets	$123,802	$134,098	$154,832	$169,019	$193,043
Other Endowment Fund Net Assets	1,084	1,084	957	957	1,115
Total Endowment Net Assets	$124,886	$135,182	$155,789	$169,976	$194,158

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 creating strategic development plans that are in line with and driven by campus-specific strategic plans; prospect management; donor stewardship; and corporate and foundation relations. Funding for the development functions has been sporadic and insufficient. The administrative fees approved by the Foundation Board and accepted by the Board of Regents, provides a level of sustainable funding for the campus development operations that are matched by the campuses. Providing stable funding for development staff and operations is important for achieving sustainable fundraising results.

Overall, total private giving for the benefit of the University increased 27 percent in fiscal year 2007 over the previous year and the number of private supporters increased by 25 percent over the previous year.

The University of Alaska Fairbanks successfully recruited an Associate Vice Chancellor for Development to begin building the development office. The office created and began implementing year one of a three year strategic philanthropic plan focused on building the base of private support while position the unit for growth. Total funds raised for the benefit of the University of Alaska Fairbanks increased 38 percent over the previous year, the number of donors increased 10 percent. In addition, fundraising positions have been added which have direct responsibility for pro-active fundraising results.

The University of Alaska Anchorage had major staffing changes over the past year, which is typical following the completion of a campaign. Stabilizing and growing staff and staff capacities will continue to be a primary focus of the office. Senior development officer positions have been created and filled. New positions in development have been added with a focus toward increasing private fundraising results. While the campus saw a 29 percent decrease in total dollars raised, the number of donors support the University of Alaska Anchorage increased by 56 percent over the previous year.

The University of Alaska Southeast continues to engage the community and its alumni through strong outreach and community engagement efforts. The campus publicly launched a campaign to build a trail around Auke Bay, located in Juneau, a partnership with the local government. The campaign will reach completion during calendar year 2007. Results continue to be favorable. Private funds raised for the benefit of the University of Alaska Southeast increased 306 percent, while the number of donors increased 77 percent over the previous year. These increases are largely due to contributions to the campaign. The campus dedicated resources to fully staff the office, adding an alumni officer and reconfiguring positions to create a donor relations office.

Following the strategic review conducted by the Association of Governing Boards for Universities & Colleges, the University of Alaska Foundation began implementing the recommended staffing and operational changes. In addition, the Foundation completed the single largest unrestricted gift ever made by a living alumnus in the amount of $2.6 million.

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.

Approximately 90 percent 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 support from the National Science Foundation for the Experimental Program for Stimulating Competitive Research (EPSCoR) and the National Institutes of

Health, National Center for Research Resources support for the Center for Alaska Native Health Research (CANHR).

The University is actively involved as leaders and participants in the 4th International Polar Year ("IPY") which began in March 2007. The International Polar Year is a two-year event which focuses the attention of the international research community on the Earth's polar regions, how the polar regions are changing, and how the changes are impacting the health of our biosphere. IPY is an opportunity to encourage scientists from across the globe to collaborate on polar research and to share their findings with the public. University researchers have leadership roles in many of the hundreds of projects endorsed by the IPY International Programme Office.

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, 2007, 2006, 2005 and 2004
(in thousands)

	2007	2006	2005	2004
Operating revenues				
Student tuition and fees	$ 91,473	$ 85,296	$ 75,853	$ 67,756
less tuition allowances	(7,004)	(6,254)	(6,365)	(6,260)
	84,469	79,042	69,488	61,496
Federal grants and contracts	139,361	141,787	138,494	133,897
State grants and contracts	15,605	15,188	12,240	10,520
Local grants and contracts	3,214	2,992	3,276	3,313
Private grants and contracts	47,859	45,273	40,843	36,641
Federal appropriations	3,811	3,150	2,837	2,758
Local appropriations	717	717	705	705
Sales and services, educational departments	3,688	3,361	3,446	3,415
Sales and services, auxiliary enterprises, net of tuition allowances of $1,246, $1,140, $1,214 and $1,298	38,849	37,617	36,033	34,605
Other	14,837	12,078	11,651	12,327
Total operating revenues	352,410	341,205	319,013	299,677
Operating expenses				
Instruction	181,175	163,540	150,052	144,115
Academic support	50,659	44,624	40,990	37,095
Research	131,283	126,282	118,933	112,013
Public service	32,926	32,075	31,226	26,216
Student services	41,890	38,512	36,033	33,002
Operations and maintenance	50,216	44,166	44,953	39,184
Institutional support	69,562	61,778	63,388	50,290
Student aid	13,566	13,383	12,822	13,052
Auxiliary enterprises	38,681	37,206	33,927	33,786
Depreciation	57,455	59,807	60,135	60,483
Total operating expenses	667,413	621,373	592,459	549,236
Operating loss	(315,003)	(280,168)	(273,446)	(249,559)
Nonoperating revenues (expenses)				
State appropriations	287,414	252,512	232,868	217,745
Investment earnings	11,656	6,562	3,242	1,674
Endowment investment income	22,254	13,966	9,709	10,675
Endowment gifts, sales and other proceeds	7,710	5,725	16,454	5,512
Interest on debt	(4,295)	(4,148)	(4,029)	(3,394)
Other nonoperating expenses	(4,534)	(2,195)	(3,132)	(1,506)
Net nonoperating revenues	320,205	272,422	255,112	230,706
Gain (loss) before other revenues, expenses, gains or losses	5,202	(7,746)	(18,334)	(18,853)
Capital appropriations, grants and contracts	40,782	30,541	17,560	86,570
Pension expense - net pension and OPEB obligations	(5,389)	(9,999)	(15,398)	-
Net increase (decrease) in net assets	40,595	12,796	(16,172)	67,717
Net assets				
Net assets - beginning of year	846,855	834,059	850,231	782,514
Net assets - end of year	$ 887,450	$ 846,855	$ 834,059	$ 850,231

Source: Audited Financial Statements

Table 16
UNIVERSITY OF ALASKA
Statements of Net Assets
Fiscal Years Ending June 30, 2007, 2006, 2005 and 2004
(in thousands)

Assets	2007	2006	2005	2004
Current assets:				
Cash and cash equivalents	$ 18,089	$ 32,885	$ 57,276	$ 41,815
Short-term investments	20,704	15,480	1,269	1,231
Accounts receivable, less allowance of $4,678, $4,096, $3,882 and $3,990	53,646	48,127	51,622	57,974
Other assets	684	1,079	889	640
Inventories	8,544	9,043	8,053	8,061
Total current assets	101,667	106,614	119,109	109,721
Noncurrent assets:				
Restricted cash and cash equivalents	7,878	9,408	8,400	19,164
Notes receivable	5,329	5,709	6,125	5,212
Endowment investments	148,713	126,910	115,119	93,834
Endowed land and other assets	46,272	39,915	37,698	38,358
Long-term investments	79,717	62,618	21,351	20,694
Assets held in trust	8,324	6,845	6,225	5,698
Capital assets, net of accumulated depreciation	736,894	731,010	737,290	760,757
Total noncurrent assets	1,033,127	982,415	932,208	943,717
Total assets	1,134,794	1,089,029	1,051,317	1,053,438
Liabilities				
Current liabilities:				
Accounts payable	10,800	10,833	10,998	13,246
Accrued expenses	9,476	4,173	4,463	4,156
Accrued payroll	20,852	22,311	19,871	13,563
Deferred revenue	4,303	4,565	4,351	3,553
Accrued annual leave	9,926	9,177	8,891	8,152
Deferred lease revenue - current portion	1,281	1,281	1,281	1,281
Long-term debt - current portion	6,278	5,200	4,864	4,855
Insurance and risk management	18,168	19,769	18,549	18,591
Deposits from students and others	3,337	3,135	3,332	2,234
Total current liabilities	84,421	80,444	76,600	69,631
Noncurrent liabilities:				
Capital appropriation advances	6,313	8,116	6,021	8,633
Deferred lease revenue	7,366	8,647	9,928	11,209
Long-term debt	112,732	113,183	103,585	108,239
Net pension and OPEB obligations	30,786	25,397	15,398	0
Security deposits and other liabilities	5,726	6,387	5,726	5,495
Total noncurrent liabilities	162,923	161,730	140,658	133,576
Total liabilities	247,344	242,174	217,258	203,207
Net Assets				
Invested in capital assets, net of related debt	619,665	608,596	625,727	648,016
Restricted:				
Expendable:				
Restricted funds	881	1,161	1,467	1,512
Student loan funds	270	271	271	259
Education Trust of Alaska	6,413	4,931	4,735	4,843
Capital projects	1,678	2,267	2,143	2,925
Debt service	3,528	3,371	3,105	3,092
Endowment	69,966	46,589	37,248	23,960
Nonexpendable	124,114	123,275	118,462	111,142
Unrestricted	60,935	56,394	40,901	54,482
Total net assets	$ 887,450	$ 846,855	$ 834,059	$ 850,231

Source: Audited Financial Statements

CERTAIN LEGAL MATTERS

Legal matters incident to the issuance of the Bonds and the excludability 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 excludable from gross income for federal income tax purposes. The Bonds are not private activity bonds, and interest on the Bonds is not an item of tax preferences 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 determining adjusted current earnings for purposes of the federal alternative minimum tax imposed on certain corporations.

Bond Counsel is also of the opinion based on existing laws of the State as enacted and construed that interest on the Bonds is excludable from taxation by the State except for transfer, estate and inheritance taxes and except to the extent that inclusion of said interest in computing the federal corporate alternative minimum tax may affect the corresponding provisions of the State corporate income tax.

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 is excludable from 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 excludable 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. Owners of the Bond should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. An example of such litigation is the case of Davis v. Kentucky Department of Revenue, 197 S.W.3d 557 (2006), the oral argument for which was heard by the U.S. Supreme Court on November 5, 2007 with a decision expected to be rendered in the spring of 2008, challenging Kentucky's taxation of bonds issued by other states and their political subdivisions differently than it taxes bonds issued by Kentucky and its political subdivisions. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Bond Counsel's opinion is not a guarantee of a result and is not binding on the Internal Revenue Service ("IRS"), rather, the opinion represents its legal judgement based upon its review of existing statutes, regulations, published rulings, and court decisions and the representations and covenants on the University. The IRS has an ongoing program of auditing the tax-exempt status of the interest on governmental obligations. If an audit of the Bonds is commenced, under current procedures, the IRS is likely to treat the University as the "taxpayer," and the owners of the Bonds (the "Owners") would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the University may have different or conflicting interests from the Owners. Public awareness of any future audit of the Bonds could adversely affect the value and the liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

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 ("Moody's") and Standard and Poor's, a Division of The McGraw-Hill Companies, Inc. ("S&P") (together, the "Rating Agencies") are expected to assign their municipal bond ratings of "Aaa" and "AAA" respectively to the Bonds. These ratings are based on the issuance by Assured Guaranty Corp. ("AGC") of its standard policy insuring the timely payment of principal and interest on the Bonds.

There is no assurance that Moody's "Aaa" rating and S&P's rating of "AAA" of the Bonds (based on AGC's policy of insurance) 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 the judgement of such rating agencies, circumstances so 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.

The Rating Agencies recently released statements on the claims-paying ability of bond insurance companies, including AGC. In various released statements, the Rating Agencies have each discussed the potential effects of downturns iin the market for structured finance instruments, including collateralized debt obligations and residential mortgage back securities, on the claims-paying ability of bond insurance companies, including AGC. In such releases, each Rating Agencies has outlined the processes it intends to follow in evaluating the effect of this risk on the respective ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be ratings affirmation, a change in rating outlook, a review for downgrade, or a downgrade. Potential investors are directed to the Rating Agencies for additional information on their respective evaluations of the financial guaranty industry and individual financial guarantors, including AGC.

Underlying Ratings. Moody's and S&P have assigned underlying ratings of "Aa3" and "AA-," respectively, to the Bonds, based on their research and investigation of the University. Each rating agency has also assigned a "stable outlook" to the University. Such ratings and outlook reflect only the respective views of the rating organizations and any desired explanation of the significance of the ratings may be obtained from the rating agencies at the following addresses: Moody's Investors Service Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, (212) 553-0300; Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, 55 Water Street, New York, New York 10004, (212) 438-2124.

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 the judgement of such rating agencies, circumstances so 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.

FINANCIAL STATEMENTS

The financial statements of the University for the fiscal year ended June 30, 2007, were examined by KPMG LLP, independent certified public accountants, whose report thereon appears in Appendix A. The auditors were not requested to review this Official Statement or consent to inclusion of the audited financial statements

UNDERWRITING

The University offered the Bonds at public sale on January 15, 2008. Robert W. Baird & Co., Inc. (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 $23,606,246.24 (reflecting an underwriting discount of $158,101.81, a bond insurance premium of $148,000.000 and net original issue premium of $117,348.05). 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 Trubacz

Chief Financial Officer

APPENDIX A

UNIVERSITY OF ALASKA
AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED
JUNE 30, 2007

THIS PAGE INTENTIONALLY

LEFT BLANK

UNIVERSITY OF ALASKA

(A Component Unit of the State of Alaska)

Financial Statements

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

University of Alaska
(A Component Unit of the State of Alaska)
Financial Statements
June 30, 2007 and 2006

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, 2007 (fiscal year 2007) and June 30, 2006 (fiscal year 2006), with selected comparative information for the year ended June 30, 2005. 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. GASB Statement No. 35, *Basic Financial Statement—and Management's Discussion and Analysis—for Public Colleges and Universities,* 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.

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 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, 2007, 2006 and 2005 follows ($ in thousands):

	2007	2006	2005
Assets:			
Current assets	$ 101,667	$ 106,614	$ 119,109
Other assets	296,233	251,405	194,918
Capital assets, net of depreciation	736,894	731,010	737,290
Total assets	1,134,794	1,089,029	1,051,317
Liabilities:			
Current liabilities	84,421	80,444	76,600
Noncurrent liabilities	162,923	161,730	140,658
Total liabilities	247,344	242,174	217,258
Net assets:			
Invested in capital assets, net of debt	619,665	608,596	625,727
Restricted – expendable	82,736	58,590	48,969
Restricted – nonexpendable	124,114	123,275	118,462
Unrestricted	60,935	56,394	40,901
Total net assets	$ 887,450	$ 846,855	$ 834,059

Major changes to assets and liabilities during fiscal year 2007 include a reduction in cash and cash equivalents, growth in investments, increased accounts receivable, and increased liabilities due to the net pension (NPO) and other postemployment benefit (OPEB) obligations, and accrued expenses. Overall, the financial position of the university improved in fiscal year 2007 as indicated by the growth in net assets of $40.6 million, or 4.8 percent. Each of these changes is discussed in more detail in the following sections.

Cash and cash equivalents at June 30, 2007 were $18.1 million as compared to $32.9 million in 2006 and $57.3 million in 2005. Decreases in cash and cash equivalents are primarily due to management investing more of the university's operating funds in short-term and long-term investments as follows:

- Short-term investments increased from $15.5 million at June 30, 2006 to $20.7 million at June 30, 2007. These funds were invested in the Common*f*und's Intermediate Term Fund which had a 2.75 percent total return for the year ended June 30, 2006 and a 5.54 percent total return for the year ended June 30, 2007.

- Long-term investments at June 30, 2007 were $79.7 million as compared to $62.6 million in 2006. Approximately, $41.5 million was invested in the Common*f*und's Absolute Return Fund, $33.2 million in the Common*f*und's Multi-Strategy Bond Fund, and $5.0 million in various operating and capital bond or construction-related funds. The Absolute Return Fund had a total return of 13.17 percent for the year ended June 30, 2007 and a 10.77 percent total return for the year ended June 30, 2006. The Multi-Strategy Bond fund (a new university investment in fiscal year 2006) had a 6.98 percent total return for the year ended June 30, 2007.

Net accounts receivable increased 11.5 percent, from $48.1 million at June 30, 2006 to $53.6 million at June 30, 2007. The growth is primarily due to an increase in net sponsored program receivables, which grew from $32.2 million at June 30, 2006 to $38.6 million at June 30, 2007. The other components of net accounts receivable consist of a pledge receivable, student tuition and fees, and capital appropriations. See Note 3 of the financial statements for accounts receivable detail.

Total liabilities increased 2.1 percent from $242.2 million at June 30, 2006 to $247.3 million at June 30, 2007. Increased liabilities are mainly attributed to:

- The State of Alaska Public Employees' Retirement System (PERS) combined net pension and OPEB obligations increased from $25.4 million at June 30, 2006 to $30.8 million at June 30, 2007. The PERS-related obligations are the result of an employer required contribution rate that was lower than the full actuarial rate.

- Accrued expenses increased from $4.2 million at June 30, 2006 to $9.5 million at June 30, 2007 due to agreed upon net settlement costs of $4.65 million for the University of Alaska Museum of the North construction activity.

Unrestricted net assets increased $4.5 million from June 30, 2006 to June 30, 2007. At year end, $28.2 million of the $60.9 million total is designated for specific purposes or otherwise limited by contractual agreements with external parties. See Note 7 of the financial statements for a detailed list of these designations.

Fiscal Year 2006 Comparisons (Statement of Net Assets)

For comparative purposes, significant comments about changes between 2005 and 2006 that were noted in fiscal year 2006 Management's Discussion and Analysis are summarized below:

Major changes from 2005 to 2006 on the Statement of Net Assets included a reduction in cash and cash equivalents, investment growth, and increased noncurrent liabilities. Management investment strategies improved the university's financial position. Increases in the net pension and OPEB obligations reduced overall growth in net assets.

The Statement of Net Assets reflected a decrease in cash and cash equivalents and an increase in short-term investments and long-term investments. Cash and cash equivalents at June 30, 2006 were $32.9 million as compared to $57.3 million in 2005. In recent years, there was steady growth in cash and cash equivalents due to improved receivable collections and increased student tuition and revenue. In fiscal year 2006, the university began investing more of the university's operating funds in short-term and long-term investments as summarized below:

- Short-term investments increased from $1.3 million at June 30, 2005 to $15.5 million at June 30, 2006. These funds were invested in the Common*f*und's Intermediate Term Fund which had a 2.75 percent total return for the year ended June 30, 2006.

- Long-term investments at June 30, 2006 were $62.6 million as compared to $21.4 million in 2005. Approximately, $36.7 million was invested in the Common*f*und's Absolute Return Fund, $20.1 million in the Common*f*und's Multi-Strategy Bond Fund, and $5.8 million in various operating and capital bond or construction-related funds. The Absolute Return Fund had a total return of 10.77 percent for the year ended June 30, 2006.

Management utilized an improved cash position to increase and diversify investments as a strategy in improving the university's financial position.

Total liabilities increased 11.5 percent from $217.3 million at June 30, 2005 to $242.2 million at June 30, 2006. Increased liabilities were attributed to:

- Long-term debt financing with issuance of Series N general revenue bonds totaling $24.4 million in fiscal year 2006.

- The State of Alaska Public Employees' Retirement System (PERS) combined net pension and OPEB obligations increased from $15.4 million at June 30, 2005 to $25.4 million at June 30, 2006.

Unrestricted net assets increased $15.5 million from June 30, 2005 to June 30, 2006.

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, 2007, 2006 and 2005 follows ($ in thousands):

	2007	2006	2005
Operating revenues	$ 352,410	$ 341,205	$ 319,013
Operating expenses	(667,413)	(621,373)	(592,459)
Operating loss	(315,003)	(280,168)	(273,446)
Net nonoperating revenues	320,205	272,422	255,112
Gain (loss) before other revenues, expenses, gains, or losses	5,202	(7,746)	(18,334)
Other revenues, expenses, gains or losses	35,393	20,542	2,162
Increase (decrease) in net assets	40,595	12,796	(16,172)
Net assets at beginning of year	846,855	834,059	850,231
Net assets at end of year	$ 887,450	$ 846,855	$ 834,059

The Statement of Revenues, Expenses and Changes in Net Assets reflects an overall increase in net assets of 4.8 percent, or $40.6 million. Revenue sources contributed positively to the increase in net assets. These revenue sources include: capital appropriation and capital grant and contract revenue, tuition and fee revenue, endowment investment income and other proceeds, and State of

Alaska general fund appropriations. However, rising costs in pension plans, net health care costs, salaries and wages, and the PERS net pension and OPEB obligations offset overall growth in net assets.

- PERS, Teachers' Retirement System (TRS), and Optional Retirement Plan (ORP) costs increased by $12.2 million for the year ended June 30, 2007.

- Net health care costs increased by $9.9 million to $44.1 million for fiscal year 2007.

- Salaries and wages increased by $14.3 million for fiscal year 2007.

- The PERS net pension and OPEB obligations increased by $5.4 million for the year ended June 30, 2007.

In 2007, the university recorded a $5.4 million net pension and OPEB expense (and related liability) for the state-administered PERS defined benefit plan. This expense represents the difference between contribution amounts based on actuarially determined rates and contributions actually paid to PERS. Even though the university made the contributions required by the PERS board, these amounts were based on a capped rate that was 3.8 percentage points lower than the actuarially computed rate. The rate was capped in accordance with PERS board policy that limits yearly increases in the employer contribution rate to 5 percentage points.

Capital appropriations and capital grant and contract revenue increased from $30.5 million in 2006 to $40.8 million in 2007. Revenue from capital sources is generally recognized as expenditures occur. The State of Alaska appropriated capital funds totaling $48.1 million in 2006 and $107.9 million in 2007. For further discussion on capital activity, see the *Capital and Debt Activities* section which follows.

Gross student tuition and fee revenue increased to $91.5 million in fiscal year 2007 as compared to $85.3 million in fiscal year 2006. This was due in large part to a 10 percent increase in tuition rates for students for academic year 2006 - 2007. In addition, the university's student full-time equivalent enrollment for Fall 2006 was 17,541, a 0.8 percent increase from the prior Fall period, and total student credit hours increased from 255,798 credit hours for Fall 2005 to 257,652 credit hours for Fall 2006.

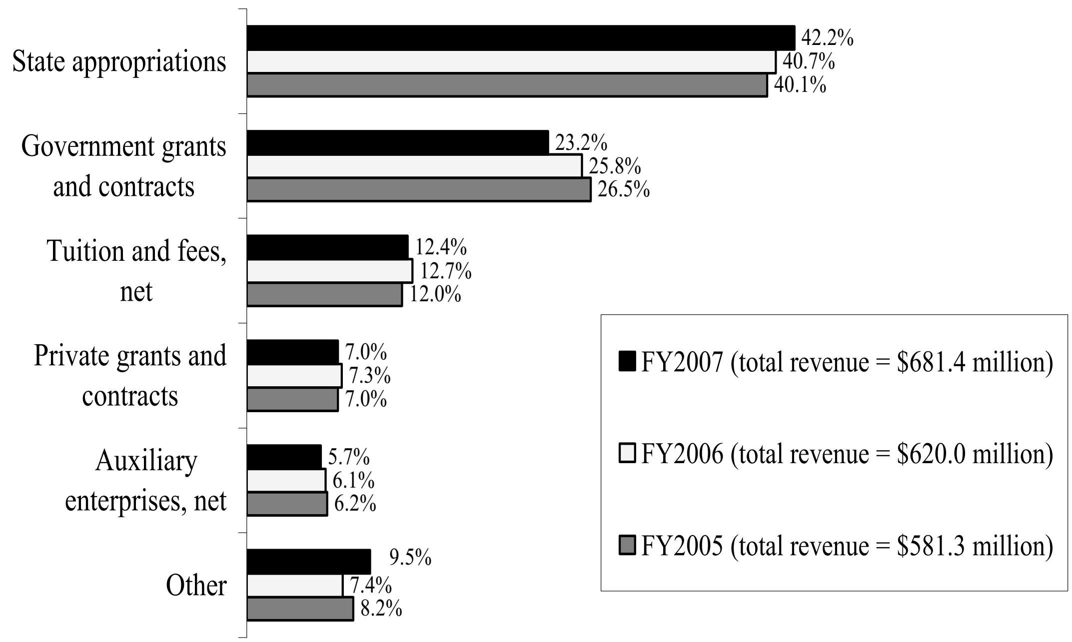
Endowment investment income was approximately $22.3 million in 2007 as compared to $13.9 million, in the prior year. Total return was 18 percent in 2007 and 12.3 percent in 2006. The improved return is the result of the performance in international investments and real estate investments.

Endowment gifts, sales and other proceeds increased to $7.7 million in fiscal year 2007 as compared to $5.7 million in fiscal year 2006. The increase was due mostly to a $2.6 million pledge in fiscal year 2007. This category also includes yield from, or sales of, trust land, timber and mineral interests, the net proceeds of which are generally deposited to the land grant endowment trust fund.

State of Alaska general fund appropriations continue to be the single major source of revenue for the university, providing $287.4 million in 2007, as compared to $252.5 million in 2006. Historically, the Legislature has funded the university at an amount equal to or above the prior period's appropriation.

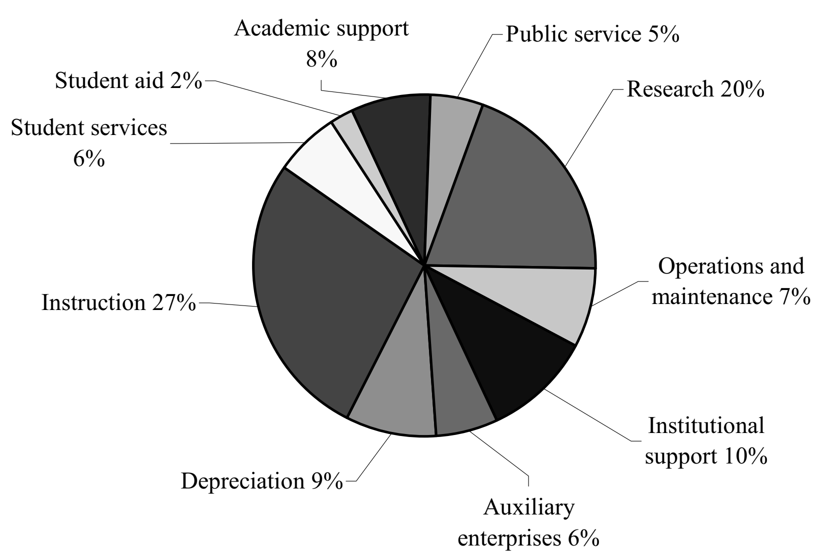
A comparison of operating and nonoperating revenues by source for fiscal year 2007, 2006 and 2005 follows:

Operating and Nonoperating Revenues (excluding capital) by Year



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 2007
Functional Classification



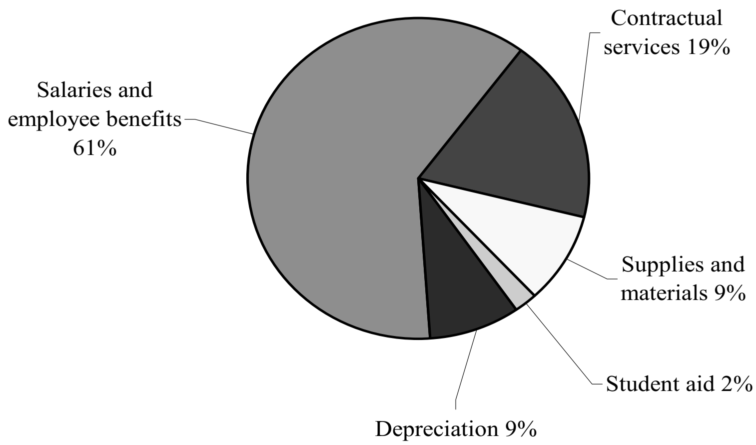
Operating Expenses
Functional Classification (in millions)

	FY2007		FY2006		FY2005	
Instruction	$181.2	27.2%	$163.5	26.3%	$150.0	25.3%
Student Services	41.9	6.3%	38.5	6.2%	36.0	6.1%
Student Aid	13.5	2.0%	13.4	2.2%	12.8	2.2%
Academic Support	50.7	7.6%	44.6	7.2%	41.0	6.9%
Student and Academic	$287.3	43.1%	$260.0	41.9%	$239.8	40.5%
Public Service	32.9	4.9%	32.1	5.2%	31.2	5.3%
Research	131.3	19.7%	126.3	20.3%	119.0	20.1%
Operations and Maintenance	50.2	7.5%	44.2	7.1%	45.0	7.6%
Institutional Support	69.6	10.4%	61.8	9.9%	63.4	10.7%
Auxiliary Enterprises	38.7	5.8%	37.2	6.0%	33.9	5.7%
Depreciation	57.4	8.6%	59.8	9.6%	60.1	10.1%
Total Operating Expenses	$667.4	100.0%	$621.4	100.0%	$592.4	100.0%

Student aid expense remained stable in fiscal year 2007. Certain amounts applied to student accounts for tuition, fees, or room and board are not reported as student aid expense, but are reported in the financial statements as an allowance, directly offsetting student tuition and fee revenue or auxiliary revenue. Allowances totaled $8.3 million in 2007 and $7.4 million in 2006. In addition to the allowances, students participate in governmental financial aid loan programs. The loans are neither recorded as revenue nor expense in the financial statements, but are recorded in the Statements of Cash Flows as direct lending receipts totaling approximately $69.0 million and $64.0 million in fiscal year 2007 and 2006, respectively.

Institutional support expenses fluctuate due to the accounting method used to record employee benefits. The university employs a central benefits pool concept, and uses a staff benefit rate, to charge estimated employee benefits, such as pension and healthcare costs, to labor recorded in the various functional expense categories. Institutional support expenses are impacted when the amounts charged exceed, or are less than, actual benefits paid to third parties. Over recovery or under recovery of charges in one year are built into the rate building process the following year. When considered in total, operating expenses across all functional categories include the correct amount of employee benefit expense each fiscal year.

Fiscal Year 2007
Natural Classification



Operating Expenses
Natural Classification (in millions)

	FY2007		FY2006		FY2005	
Salaries and Employee Benefits	$407.0	61.3%	$370.3	59.8%	$347.6	58.7%
Contractual Services	124.0	18.7%	119.7	19.3%	106.1	17.9%
Supplies and Materials	65.4	9.3%	58.2	9.1%	65.8	11.1%
Student Aid	13.6	2.0%	13.4	2.1%	12.8	2.2%
Depreciation	57.4	8.7%	59.8	9.7%	60.1	10.1%
	$667.4	100.0%	$621.4	100.0%	$592.4	100.0%

Salaries and employee benefits increased 9.9 percent, or $36.7 million, in fiscal year 2007. Employee benefits, such as pension plan contributions and health care costs, increased 23 percent and comprised $22.4 million of the change. Salaries and wages increased 5 percent, or $14.3 million.

Fiscal Year 2006 Comparisons (Statement of Revenues, Expenses and Changes in Net Assets)

For comparative purposes, significant comments about changes between 2005 and 2006 that were noted in fiscal year 2006 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 1.5 percent or $12.8 million. Revenue sources contributed positively to the increase in net assets. However, increased costs in pension plans and the PERS net pension and OPEB obligations offset overall growth in net assets.

- PERS, TRS, and ORP costs increased by $11.8 million for the year ended June 30, 2006.

- The PERS net pension and OPEB obligations increased by $10.0 million in fiscal year 2006.

The increase in revenue recognized from capital funding sources also contributed to increases in net assets. Capital appropriations and capital grant and contract revenue increased from $17.6 million in 2005 to $30.5 million in 2006.

Other major revenue sources included state general fund appropriations, sponsored programs, and tuition revenue. State general fund appropriations were $252.5 million in 2006, as compared to $232.9 million in 2005. Sponsored program revenue, primarily from research and education related programs, increased 5 percent, from $194.9 million in 2005 to $205.2 million in 2006. Facility and administrative cost recovery provided $32.0 million in 2006 as compared to $31.2 million in 2005. Student enrollment and tuition rate increases for the 2005 - 2006 academic year provided for gross student tuition and fee revenue of $85.3 million in fiscal year 2006 as compared to $75.9 million in fiscal year 2005. This was due in large part to a 10 percent increase in tuition rates for students for academic year 2005 - 2006. Student full-time equivalent enrollment for Fall 2005 was 17,397, a 0.3 percent decrease from the prior Fall period. Additionally, endowment sales and other proceeds, and investment income decreased to $19.6 million in 2006 as compared to $26.2 million in 2005. Components of these amounts include investment income generated from the endowment principal and yield from, or sales of, trust land, timber and mineral interests.

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 $57.4 million in 2007, as compared with $44.5 million in 2006 and $28.0 million in 2005. These capital additions primarily comprise replacement, renovation, code corrections and new construction of academic and research facilities, as well as investments in equipment and information technology. State capital appropriations for 2007 and 2006 were $107.9 million and $48.1 million, respectively. At June 30, 2007, $142.8 million remains unexpended from current and prior year capital appropriations and general revenue bond proceeds, of which $89.0 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.

The following projects were completed and capitalized during fiscal year 2007:

- The University of Alaska Fairbanks Biological Research and Diagnostics Facility was substantially complete by December 2006. This $23 million facility added to the nucleus of other science and research facilities located on the campus' West Ridge. The facility incorporates live animal research, program components and space for laboratories, procedure rooms, necropsy, incinerator and related administrative space.

- The University of Alaska Anchorage Alaska Native Science and Engineering Building, center for innovative learning facility, was substantially complete by August 2006. This $6.6 million facility houses the Alaska Native Science and Engineering Program (ANSEP). The facility contains a large gathering space, a collaborative learning lab, and "quiet" rooms for recitations where teams of students are engaged with industry professionals from high school on through their time at the University of Alaska. ANSEP was a collaborative effort between the University, Alaska Native communities and regional corporations, companies in the oil industry, the professional engineering and construction industry, and nonprofits.

Construction in progress at June 30, 2007 totaled $28.2 million and includes the following major projects:

- University of Alaska Anchorage Integrated Science Facility: This $87 million facility will incorporate the existing science facility into expanded instructional, student, and administrative space. Features include state of the art science academic labs and technology associated with distance delivery. The facility will be designed to incorporate program growth in integrated sciences, including integrated science instruction for majors and non-majors, environmental studies and systems research, biomedical research, and complex system studies to prepare students to meet the employment needs of the State of Alaska. The estimated occupancy date is fall 2009.

- University of Alaska Fairbanks School of Fisheries and Ocean Sciences (SFOS) Facility at Lena Point in Juneau, Alaska: This $26.2 million facility will provide long-term support for the SFOS's academic and research mission. The facility will allow for consolidation of classes, research facilities and faculty currently spread between two locations.

State of Alaska capital appropriations for fiscal year 2008 total $12.9 million. The main component of this appropriation includes $8 million designated for maintaining existing facilities and equipment.

At June 30, 2007, total debt outstanding was $119.0 million, comprised of $90.3 million in general revenue bonds, $26.5 million in notes payable, and $2.2 million in bank financing contracts. In August 2005, Moody's Investors Service affirmed its previous university credit rating of A1 with stable outlook and Standard & Poor's affirmed its rating of AA-. The University has maintained these ratings since its general revenue issues were first rated in 1992.

The university issued Series N general revenue bonds totaling $24,355,000 in fiscal year 2006. The bonds mature annually each October 1, through 2035, and bear coupon interest rates ranging from 3 percent to 5 percent. Series N bond proceeds totaling $14,055,000 are being used for capital improvement projects, and the remaining $10,300,000 was used to advance refund 1997 Series G general revenue bonds and redeem a note payable originally issued for student housing in Anchorage.

In previous years, other bonds were issued to finance construction of student residences at three campuses, the West Ridge Research Building, student recreation centers, a research facility to house the International Arctic Research Center, the acquisition and renovation of several properties adjacent to or near the university's campuses, additions to the university's self-operated power, heat, water and telephone utility systems in Fairbanks, purchase of the University Center Building in Anchorage, 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 or working capital is 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 2006 meeting, the Board of Regents approved a 7 percent increase in tuition for the 2007 – 2008 academic year. At their September 2007 meeting, the Board of Regents approved a 5 percent increase in tuition for the 2008 – 2009 and 2009 – 2010 academic years.

For fiscal year 2008, state appropriations for operations and debt service reimbursement total $295.1 million, a 2.68 percent increase over fiscal year 2007. 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.

This page intentionally left blank

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

Independent Auditors' Report

The Board of Regents
University of Alaska:

We have audited the accompanying basic financial statements of the University of Alaska and its discretely presented component unit (University), a component unit of the State of Alaska, as of and for the years ended June 30, 2007 and 2006 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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 respective financial position of the University of Alaska and its discretely presented component unit at June 30, 2007 and 2006, and the respective changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis, on pages 1 through 11, and the Schedule of Funding Progress for PERS on page 46 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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

November 2, 2007

This page intentionally left blank

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Net Assets
June 30, 2007 and 2006
(in thousands)

Assets	2007	2006
Current assets:		
Cash and cash equivalents	$ 18,089	$ 32,885
Short-term investments	20,704	15,480
Accounts receivable, less allowance of $4,678 in 2007 and $4,096 in 2006	53,646	48,127
Other assets	684	1,079
Inventories	8,544	9,043
Total current assets	101,667	106,614
Noncurrent assets:		
Restricted cash and cash equivalents	7,878	9,408
Notes receivable	5,329	5,709
Endowment investments	148,713	126,910
Endowed land and other assets	46,272	39,915
Long-term investments	79,717	62,618
Assets held in trust	8,324	6,845
Capital assets, net of accumulated depreciation of $634,883 in 2007 and $595,629 in 2006	736,894	731,010
Total noncurrent assets	1,033,127	982,415
Total assets	1,134,794	1,089,029
Liabilities		
Current liabilities:		
Accounts payable	10,800	10,833
Accrued expenses	9,476	4,173
Accrued payroll	20,852	22,311
Deferred revenue	4,303	4,565
Accrued annual leave	9,926	9,177
Deferred lease revenue - current portion	1,281	1,281
Long-term debt - current portion	6,278	5,200
Insurance and risk management	18,168	19,769
Deposits from students and others	3,337	3,135
Total current liabilities	84,421	80,444
Noncurrent liabilities:		
Capital appropriation advances	6,313	8,116
Deferred lease revenue	7,366	8,647
Long-term debt	112,732	113,183
Net pension and OPEB obligations	30,786	25,397
Security deposits and other liabilities	5,726	6,387
Total noncurrent liabilities	162,923	161,730
Total liabilities	247,344	242,174
Net Assets		
Invested in capital assets, net of related debt	619,665	608,596
Restricted:		
Expendable:		
Restricted funds	881	1,161
Student loan funds	270	271
Education Trust of Alaska	6,413	4,931
Capital projects	1,678	2,267
Debt service	3,528	3,371
Endowment	69,966	46,589
Nonexpendable	124,114	123,275
Unrestricted (see Note 7)	60,935	56,394
Total net assets	$ 887,450	$ 846,855

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

This page intentionally left blank

UNIVERSITY OF ALASKA FOUNDATION
(A Component Unit of the University of Alaska)
Statements of Financial Position
June 30, 2007 and 2006
(in thousands)

Assets	2007	2006
Cash and cash equivalents	$ 12,932	$ 6,169
Interest receivable	57	135
Short-term investments	-	21
Contributions receivable	6,640	6,085
Escrows receivable	189	206
Inventory	77	79
Other assets	425	454
Pooled endowment funds	119,528	99,098
Other long-term investments	29,365	31,806
Total assets	$ 169,213	$ 144,053
Liabilities		
Due to the University of Alaska	$ 1,920	$ 1,634
Other liabilities	-	1
Remainder trust obligations	332	346
Term endowment liability	1,000	1,000
Total liabilities	3,252	2,981
Net Assets		
Unrestricted	43,757	37,229
Temporarily restricted	71,759	56,212
Permanently restricted	50,445	47,631
Total net assets	165,961	141,072
Total liabilities and net assets	$ 169,213	$ 144,053

This page intentionally left blank

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, 2007 and 2006
(in thousands)

	2007	2006
Operating revenues		
Student tuition and fees	$ 91,473	$ 85,296
less tuition allowances	(7,004)	(6,254)
	84,469	79,042
Federal grants and contracts	139,361	141,787
State grants and contracts	15,605	15,188
Local grants and contracts	3,214	2,992
Private grants and contracts	47,859	45,273
Federal appropriations	3,811	3,150
Local appropriations	717	717
Sales and services, educational departments	3,688	3,361
Sales and services, auxiliary enterprises, net of tuition allowances of $1,246 in 2007 and $1,140 in 2006	38,849	37,617
Other	14,837	12,078
Total operating revenues	352,410	341,205
Operating expenses		
Instruction	181,175	163,540
Academic support	50,659	44,624
Research	131,283	126,282
Public service	32,926	32,075
Student services	41,890	38,512
Operations and maintenance	50,216	44,166
Institutional support	69,562	61,778
Student aid	13,566	13,383
Auxiliary enterprises	38,681	37,206
Depreciation	57,455	59,807
Total operating expenses	667,413	621,373
Operating loss	(315,003)	(280,168)
Nonoperating revenues (expenses)		
State appropriations	287,414	252,512
Investment earnings	11,656	6,562
Endowment investment income	22,254	13,966
Endowment gifts, sales and other proceeds	7,710	5,725
Interest on debt	(4,295)	(4,148)
Other nonoperating expenses	(4,534)	(2,195)
Net nonoperating revenues	320,205	272,422
Gain (loss) before other revenues, expenses, gains or losses	5,202	(7,746)
Capital appropriations, grants and contracts	40,782	30,541
Pension expense - net pension and OPEB obligations	(5,389)	(9,999)
Net increase in net assets	40,595	12,796
Net assets		
Net assets - beginning of year	846,855	834,059
Net assets - end of year	$ 887,450	$ 846,855

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, 2007 and 2006
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007
Revenues, gains and other support				
Contributions	$ 4,150	$ 13,033	$ 2,850	$ 20,033
Investment income	1,833	1,915	-	3,748
Net realized and unrealized investment gains	4,512	12,671	-	17,183
Other revenues	1	125	-	126
Actuarial adjustment of remainder trust obligations	-	(2)	(7)	(9)
Losses on disposition of other assets	-	(83)	-	(83)
Administrative assessments	340	(131)	(17)	192
Support from University of Alaska	830	-	-	830
Net assets released from restriction	11,744	(11,744)	-	-
Total revenues, gains and other support	23,410	15,784	2,826	42,020
Expenses and distributions				
Operating expenses	1,620	-	-	1,620
Distributions for the benefit of the University of Alaska	15,511	-	-	15,511
Total expenses and distributions	17,131	-	-	17,131
Excess of revenues over expenses	6,279	15,784	2,826	24,889
Transfers between net asset classes	249	(237)	(12)	-
Increase in net assets	6,528	15,547	2,814	24,889
Net assets, beginning of year	37,229	56,212	47,631	141,072
Net assets, end of year	$ 43,757	$ 71,759	$ 50,445	$ 165,961

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

Unrestricted	Temporarily Restricted	Permanently Restricted	2006
$ 5,084	$ 10,868	$ 2,267	$ 18,219
1,513	1,721	-	3,234
2,157	6,901	-	9,058
1	102	-	103
-	(1)	30	29
-	(23)	-	(23)
-	-	-	-
-	-	-	-
13,038	(13,038)	-	-
21,793	6,530	2,297	30,620
773	-	-	773
15,312	-	-	15,312
16,085	-	-	16,085
5,708	6,530	2,297	14,535
-	44	(44)	-
5,708	6,574	2,253	14,535
31,521	49,638	45,378	126,537
$ 37,229	$ 56,212	$ 47,631	$ 141,072

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006
(in thousands)

	2007	2006
Cash flows from operating activities		
Student tuition and fees, net	$ 84,566	$ 77,897
Grants and contracts	199,562	207,684
Sales and services, educational departments	3,688	3,361
Sales and services, auxiliary enterprises	39,124	37,479
Federal appropriations	3,811	3,150
Local appropriations	717	717
Other operating receipts	13,556	10,796
Payments to employees for salaries and benefits	(406,846)	(366,640)
Payments to suppliers	(186,785)	(179,853)
Payments to students for financial aid	(13,567)	(13,353)
Net cash used by operating activities	(262,174)	(218,762)
Cash flows from noncapital financing activities		
State appropriations	287,290	252,714
Other payments	92	(330)
Direct lending receipts	68,728	64,328
Direct lending payments	(68,858)	(64,138)
Net cash provided by noncapital financing activities	287,252	252,574
Cash flows from capital and related financing activities		
Capital appropriations, grants and contracts	40,631	35,129
Proceeds from issuance of capital debt	-	24,355
Redemption of general revenue bonds and note payable	-	(10,266)
Purchases of capital assets	(65,233)	(56,871)
Principal paid on capital debt	(5,272)	(5,018)
Interest paid on capital debt	(4,577)	(3,737)
Net cash used by capital and related financing activities	(34,451)	(16,408)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	24,861	18,938
Purchases of investments	(45,844)	(73,267)
Interest received on investments	6,566	4,402
Interest and other sales receipts from endowment assets	7,464	9,140
Net cash used in investing activities	(6,953)	(40,787)
Net decrease in cash and cash equivalents	(16,326)	(23,383)
Cash and cash equivalents, beginning of the year	42,293	65,676
Cash and cash equivalents, end of the year	$ 25,967	$ 42,293
Cash and cash equivalents (current)	$ 18,089	$ 32,885
Restricted cash and cash equivalents (noncurrent)	7,878	9,408
Total cash and cash equivalents	$ 25,967	$ 42,293

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, 2007 and 2006
(in thousands)

Reconciliation of operating loss to net cash used by operating activities:	2007	2006
Operating loss	$ (315,003)	$ (280,168)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	57,455	59,807
Changes in assets and liabilities:		
Accounts receivable, net	(6,069)	986
Other assets	395	(245)
Inventories	499	(990)
Accounts payable	(1,152)	113
Accrued expenses	5,329	(1,134)
Accrued payroll	(1,459)	2,440
Deferred revenue	(262)	214
Accrued annual leave	749	286
Deferred lease revenue - current portion	(1,281)	(1,281)
Insurance and risk management	(1,601)	1,220
Deposits from students and others	226	(10)
Net cash used by operating activities	$ (262,174)	$ (218,762)

Noncash Investing, Capital and Financing Activities:

For the Year Ended June 30, 2007

Additions to capital assets include $0.6 million expended and capitalized but not paid for at year end.

The university purchased equipment through bank financing totaling $1.2 million.

Book value of capital asset disposals totaled $4.6 million.

Interest expense on general revenue bond financed projects totaling $0.2 million was capitalized during the year.

The university recorded a $5.4 million pension and other postemployment benefit expense for the state-administered PERS defined benefit plan.

Endowment assets increased $0.1 million through receipt of donated real property.

Endowment investment real property was purchased in part through issuance of a note totaling $4.6 million.

For the Year Ended June 30, 2006

Additions to capital assets include $0.5 million expended and capitalized but not paid for at year end.

The university purchased equipment through bank financing totaling $0.9 million.

Book value of capital asset disposals totaled $1.5 million.

Interest expense on general revenue bond financed projects totaling $0.5 million was capitalized during the year.

The university recorded a $10.0 million pension and other postemployment benefit expense for the state-administered PERS defined benefit plan.

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. Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, required the university to include the foundation as part of its financial statements to better report resources benefiting the university. 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. Investments in fixed income and equity marketable securities are stated at fair value based on quoted market prices. Investments in private partnership interests are valued using the most current information provided by the general partner. General partners typically value privately held companies at cost as adjusted based on recent arms' length transactions. Public companies are valued using quoted market prices and exchange rates, if applicable. Real estate partnerships and funds are valued based on appraisals of properties held and conducted by third-party appraisers retained by the general partner or investment manager. General partners of marketable alternatives provide values based on quoted market prices and exchange rates for publicly held securities and valuation estimates of derivative instruments. General partners of oil and gas partnerships use third-party appraisers to value properties. Valuations provided by the general partners and investment managers are evaluated by management and management believes such values are reasonable at June 30, 2007. When, in the opinion of management, there has been a permanent impairment in the asset value, the asset is written down to its fair value. Income from other investments is recognized when received.

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 change 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 $5,000 or greater is capitalized. Buildings and infrastructure with a unit value of $100,000 or greater are capitalized. Other capitalizable assets with a unit value of $50,000 or greater are 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. Alaska Statute 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, 2007 and 2006 the accumulated net earnings and appreciation on investments is $70.0 million and $46.7 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 endowment 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. Deposits and Investments:

Deposits and investments at June 30, 2007 were as follows ($ in thousands):

Investment Type	Operating	Capital Funds	Endowment	College Savings Program	Total
Cash and Deposits	$ (5,266)	$ -	$ -	$ -	$ (5,266)
Repurchase Agreement	6,333	-	-	-	6,333
Short Term Fund	18,613	3,786	5,762	-	28,161
Intermediate Term Fund	20,704	-	548	-	21,252
Multi-Strategy Bond Fund	33,184	-	8,322	-	41,506
Balanced Portfolio	-	-	-	31	31
Hedge Funds	41,490	-	23,743	-	65,233
Money Market Mutual Funds	-	566	184	422	1,172
Equities:					
Domestic	-	-	54,076	3,357	57,433
International	-	-	18,482	-	18,482
Global	-	-	4,604	-	4,604
Emerging Markets	-	-	4,938	-	4,938
Debt-related:					
Federal Agency	-	854	-	-	854
U.S. Treasury Securities	-	3,948	-	-	3,948
Fixed Income Funds	-	-	10,501	4,514	15,015
Commercial Paper	-	2,176	-	-	2,176
Alternative Investments:					
Commodities	-	-	1,993	-	1,993
Natural Resources	-	-	2,480	-	2,480
Venture Capital	-	-	964	-	964
Mezzanine	-	-	1,328	-	1,328
Real Estate	-	-	6,906	-	6,906
Other	-	-	3,882	-	3,882
	$ 115,058	$ 11,330	$ 148,713	$ 8,324	$ 283,425

Deposits and investments at June 30, 2006 were as follows ($ in thousands):

Investment Type	Operating	Capital Funds	Endowment	College Savings Program	Total
Cash and Deposits	$ (4,892)	$ -	$ -	$ -	$ (4,892)
Repurchase Agreement	8,870	-	-	-	8,870
Guaranteed Investment Contract	-	2,754	-	-	2,754
Short Term Fund	31,584	2,960	5,818	-	40,362
Intermediate Term Fund	15,479	-	457	-	15,936
Multi-Strategy Bond Fund	20,075	-	-	-	20,075
Balanced Portfolio	-	-	-	90	90
Hedge Funds	36,662	-	18,436	-	55,098
Money Market Mutual Funds	-	3,522	651	154	4,327
Equities:					
Domestic	-	-	49,766	2,367	52,133
International	-	-	16,130	-	16,130
Emerging Markets	-	-	3,537	-	3,537
Equity Index Fund	-	-	-	100	100
Equity Funds	-	-	-	100	100
Debt-related:					
Corporate	-	-	3,715	-	3,715
Federal Agency	-	-	2,318	-	2,318
U.S. Treasury Securities	-	1,669	737	-	2,406
Fixed Income Funds	-	-	10,226	4,034	14,260
Commercial Paper	-	1,708	-	-	1,708
Alternative Investments:					
Commodities	-	-	1,938	-	1,938
Natural Resources	-	-	2,053	-	2,053
Venture Capital	-	-	726	-	726
Mezzanine	-	-	1,058	-	1,058
Real Estate	-	-	5,792	-	5,792
Other	-	-	3,552	-	3,552
	$ 107,778	$ 12,613	$ 126,910	$ 6,845	$ 254,146

Operating funds consist of cash on hand, time deposits, an overnight repurchase agreement and investments in Common*f*und pooled investment funds. Alaska Statutes and Board of Regents' policy provide the university with broad authority to invest funds. Generally, operating funds are invested according to the university's liquidity needs. The Common*f*und is a not-for-profit provider of pooled multi-manager investment vehicles for colleges and universities. The university invests in a variety of these funds according to its investment objectives.

Capital funds include unexpended general revenue bond proceeds and related reserves, advances from state capital appropriations and other reserves designated for capital purposes. General revenue bond proceeds of $4.0 million and related reserves totaling $3.5 million are invested with a third party trustee in accordance with terms of a trust indenture, requiring purchase of investment securities that are investment grade.

Endowment funds primarily consist of $147.0 million invested in a consolidated endowment fund (fund) managed by the University of Alaska Foundation (foundation). The investable resources of the university's land grant endowment trust fund and the foundation's pooled endowment funds are combined in the fund for investment purposes. 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.

College savings program investments include the operating funds of the Education Trust of Alaska, established pursuant to state statute by the Board of Regents to facilitate administration of the state's Internal Revenue Code Section 529 College Savings Program. Program investments are in mutual funds of T. Rowe Price Associates, Inc., the program manager. See Note 4 for further information.

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, 2007 had an estimated fair value of approximately $7.1 million.

At June 30, 2007, the university has approximately $88.4 million in investments which are not readily marketable. Approximately $46.9 million is invested in the consolidated endowment fund managed by the foundation and $41.5 million is invested in hedge funds within the university's operating funds. These investments represent 31.2% of total deposits and investments and 10% of net assets at June 30, 2007. These investment instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

Disclosures for deposits and investments are presented according to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40). Accordingly, the following information addresses various risk categories for university deposits and investments and the investment policies for managing that risk.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university does not have a policy regarding credit risk since it does not normally invest its operating and capital funds in individual debt securities. The consolidated endowment fund investment policy requires all purchases of debt securities to be of investment grade and marketable at the time of purchase unless otherwise approved by the foundation's investment committee. At June 30, 2007, investments consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows ($ in thousands):

Investment Type	Rating	Operating	Capital Funds	Endowment	College Savings Program
Money Market Mutual Fund	AAA	-	$ 566	-	-
Money Market Mutual Funds	Not Rated	-	-	$ 184	$ 422
Short Term Fund	AAA	$ 18,613	$ 3,786	$ 5,762	-
Intermediate Term Fund	AA+	$ 20,704	-	$ 548	-
Multi-Strategy Bond Fund	AA	$ 33,184	-	$ 8,322	-
Balanced Portfolio	Not Rated	-	-	-	$ 31
Hedge Funds	Not Rated	$ 41,490	-	$ 23,743	-
Debt-related:					
Federal Agency	AAA	-	$ 854	-	-
Fixed Income Funds	BAA	-	-	$ 276	-
Fixed Income Funds	Not Rated	-	-	$ 10,225	$ 4,514
Commercial Paper	AAA	-	$ 2,176	-	-

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the university's investment in a single issuer. GASB 40 requires disclosure when the amount invested with a single issuer, by investment type, exceeds 5 percent or more of that investment type. At June 30, 2007, the university did not have any material concentrations of credit risk.

The consolidated endowment fund investment policy limits debt investments to 5 percent by issuer (except for mutual and pooled funds and U.S. government and agencies) for each specific managed portfolio within the consolidated endowment fund unless approved by the treasurer. The university does not have a policy regarding concentration of credit risk since it does not normally invest its operating and capital funds in individual debt investments.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The university uses the modified duration measurement to evaluate interest rate risk. Modified duration measures a debt investment's exposure to fair value changes arising from changing interest rates. For example, a modified duration of 2 means that for a rise in interest rates of 1 percent, the value of the security would decrease 2 percent. The university does not have a policy regarding interest rate risk. At June 30, 2007, the university had the following debt investments and corresponding modified duration ($ in thousands):

	Fair Value				
Investment Type	Operating	Capital Funds	Endowment	College Savings Program	Modified Duration
Short Term Fund	$ 18,613	$ 3,786	$ 5,762	-	3.30
Intermediate Term Fund	$ 20,704	-	$ 548	-	1.50
Multi-Strategy Bond Fund	$ 33,184	-	$ 8,322	-	4.00
Federal Agency	-	$ 854	-	-	2.65
U.S. Treasury Securities	-	$ 3,948	-	-	1.99
Fixed Income Fund	-	-	-	$ 4,514	4.59
Fixed Income Fund	-	-	$ 10,225	-	4.70
Collateralized Loan Obligation	-	-	$ 276	-	5.96
Commercial Paper	-	$ 2,176	-	-	.19

Hedge funds totaling $65.2 million are exposed to interest rate risk, however, underlying fund data is not available to measure the interest rate risk.

Custodial Credit Risk:

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the university will not be able to recover deposits or will not be able to recover collateral securities in the possession of an outside party. For investments, custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the university will not be able to recover the value of investment or collateral securities in the possession of an outside party.

At June 30, 2007, the university does not have custodial credit risk. Deposits of the university are covered by Federal Depository Insurance or securities pledged by the university's counterparty to its repurchase agreement held at the Bank of New York. The collateral is held in the name of the university and at June 30, 2007, provided $13.0 million coverage in excess of deposits.

Foreign Currency Risk:

Foreign currency risk is the risk that changes in exchange rates could have an adverse affect on an investment's value for investments denominated in foreign currencies. GASB 40 requires disclosure of value in U.S. dollars by foreign currency denomination and investment type. The university does not have a policy regarding foreign currency risk. At June 30, 2007, the university had foreign currency risk in the endowment funds as follows ($ in thousands):

Foreign Currency	Equity Market Value
Bermudian Dollar	$ 60
Canadian Dollar	136
Chinese Yuan	53
Cypriot Pound	123
Euro Currency	1,043
Japanese Yen	181
Mexican Nuevo Peso	131
Singaporean Dollars	56
Swedish Krona	89
Swiss Franc	429
United Kingdom Pound	153
	$ 2,454

3. Accounts Receivable:

Accounts receivable consisted of the following at June 30, 2007 and 2006 ($ in thousands):

June 30, 2007	Gross	Allowance	Net
Student tuition and fees	$ 9,846	$ (2,888)	$ 6,958
Sponsored programs	40,330	(1,699)	38,631
Pledge receivable	1,100	-	1,100
Auxiliary services and other operating activities	401	(91)	310
Capital appropriations, grants and contracts	6,647	-	6,647
	$ 58,324	$ (4,678)	$ 53,646
June 30, 2006			
Student tuition and fees	$ 9,440	$ (2,278)	$ 7,162
Sponsored programs	33,915	(1,721)	32,194
Auxiliary services and other operating activities	567	(97)	470
Capital appropriations, grants and contracts	8,299	-	8,299
State operating appropriation	2	-	2
	$ 52,223	$ (4,096)	$ 48,127

4. 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 $3.1 billion and $2.2 billion at June 30, 2007 and 2006, respectively, are not included in the financial statements. Separately audited Trust financial statements are available upon request from the University of Alaska Controller's office.

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 $1.9 million at June 30, 2007 and 2006.

5. 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, 2007 and 2006, approximately 83,200 and 83,400 acres, respectively, were held in trust at no basis because fair value at the date of transfer was not determinable.

On July 25, 2005, Alaska's governor approved a transfer of approximately 250,000 acres of State of Alaska land to the university. As provided by Alaska Statute 14.40.365, the lands will be conveyed to the university by July 1, 2008 with the exception of two parcels subject to native allotments, parcels subject to borough formations, and one 52,000 acre forestry research parcel being transferred in 50 years. The intent of the Legislature is to provide the university with an equitable land grant as originally envisioned in the federal land grant of 1915 and to provide the university ownership of a significant portfolio of income producing land to help fund public higher education in the State of Alaska. Proceeds and royalties received from property development will be deposited into the land grant trust endowment fund. The lands will be recorded at zero basis when no determinable fair value is available at the time of transfer. The legislation has been challenged and management does not believe the outcome will have a material effect on the financial statements.

6. Capital Assets:

A summary of capital assets follows ($ in thousands):

	Balance July 1, 2006	Additions/ Transfers	Reductions	Balance June 30, 2007
Capital assets not depreciated				
Land	$ 27,129	$ 850	$ 10	$ 27,969
Construction in progress	38,722	57,362	67,896	28,188
Library and museum collections	53,353	1,623	-	54,976
Other capital assets				
Buildings	920,885	60,476	218	981,143
Infrastructure	49,986	4,740	-	54,726
Equipment	189,929	11,025	23,571	177,383
Leasehold improvements	25,707	144	-	25,851
Other improvements	20,928	613	-	21,541
Total	1,326,639	136,833	91,695	1,371,777
Less accumulated depreciation:				
Buildings	417,425	38,235	186	455,474
Infrastructure	25,332	1,700	-	27,032
Equipment	133,646	15,387	18,015	131,018
Leasehold improvements	4,563	1,272	-	5,835
Other improvements	14,663	861	-	15,524
Total accumulated depreciation	595,629	57,455	18,201	634,883
Capital assets, net	$ 731,010	$ 79,378	$ 73,494	$ 736,894

	Balance July 1, 2005	Additions/ Transfers	Reductions	Balance June 30, 2006
Capital assets not depreciated				
Land	$ 27,360	$ 184	$ 415	$ 27,129
Construction in progress	55,018	44,553	60,849	38,722
Library and museum collections	51,402	1,951	-	53,353
Other capital assets				
Buildings	879,838	43,961	2,914	920,885
Infrastructure	42,139	7,847	-	49,986
Equipment	188,676	11,077	9,824	189,929
Leasehold improvements	16,826	8,881	-	25,707
Other improvements	20,928	-	-	20,928
Total	1,282,187	118,454	74,002	1,326,639
Less accumulated depreciation:				
Buildings	380,875	37,185	635	417,425
Infrastructure	23,786	1,546	-	25,332
Equipment	123,520	18,566	8,440	133,646
Leasehold improvements	2,928	1,635	-	4,563
Other improvements	13,788	875	-	14,663
Total accumulated depreciation	544,897	59,807	9,075	595,629
Capital assets, net	$ 737,290	$ 58,647	$ 64,927	$ 731,010

7. Unrestricted Net Assets:

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

	2007	2006
Designated:		
Auxiliaries	$ 9,053	$ 9,763
Working capital fund	4,715	4,715
Working capital advances	(2,302)	(33)
Service centers	9,158	9,674
Debt service funds	1,404	-
Renewal and replacement funds	6,360	4,411
Quasi-endowment funds	79	78
Net pension and OPEB obligations	(30,786)	(25,397)
Employee benefit funds	6,987	2,587
Endowment earnings	11,296	10,302
Encumbrances	12,256	8,566
Total designated	28,220	24,666
Undesignated	32,715	31,728
Total unrestricted net assets	$ 60,935	$ 56,394

Unrestricted net assets include non-lapsing university receipts of $54.1 million at June 30, 2007. Non-lapsing university receipts of $49.9 million from 2006 were fully expended in 2007.

At June 30, 2007 and 2006, $32.4 million and $34.3 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.

8. Long-term Debt:

Debt service requirements at June 30, 2007 were as follows ($ in thousands):

Year ended June 30,	Principal	Interest	Total
2008	$ 6,278	$ 4,810	$ 11,088
2009	5,984	4,571	10,555
2010	6,179	4,327	10,506
2011	6,411	4,067	10,478
2012	6,680	3,792	10,472
2013-2017	28,487	15,404	43,891
2018-2022	30,082	9,590	39,672
2023-2027	20,669	3,933	24,602
2028-2032	7,140	748	7,888
2033-2036	1,100	102	1,202
	$ 119,010	$ 51,344	$ 170,354

Long-term debt consisted of the following at June 30, 2007 and 2006 ($ in thousands):

	2007	2006
Revenue bonds payable 1.40% to 5.45% general revenue bonds due serially to 2036, 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.	$ 90,280	$ 94,090
Note payable – capital construction 1.826% assisted note to the Alaska Housing Finance Corporation (AHFC) to finance construction of Anchorage campus housing, due semiannually through February 2024.	21,838	22,924
Note payable – real property purchase 8.00% note for purchase of Bunnell Park property adjacent to the University of Alaska Fairbanks campus, payable beginning September 2007 to September 2011.	4,646	-
Installment contracts 2.68% to 4.77% installment contracts for the purchase of equipment and vehicles due in quarterly installments through June 2016.	2,246	1,369
	$ 119,010	$ 118,383

In fiscal year 2007, the state reimbursed the university for debt service of $1,413,366 on Series K general revenue bonds. Subject to annual appropriation, the state will reimburse the university for principal and interest on $18,775,000 of the remaining bond principal. Annual debt service on this portion of the bonds is approximately $1.4 million.

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 general revenue bond debt service. The balance in the reserve account at June 30, 2007 and 2006 was $4.2 million and $4.0 million, respectively. The reserve balance at June 30, 2007 includes a reserve fund policy, purchased with the issuance of Series L, totaling $0.6 million.

In fiscal year 2007 and 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, 2007 and 2006, outstanding defeased bonds were $7.9 million and $8.0 million, respectively.

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, 2007 is $8,646,750 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, 2006	Additions	Reductions	Balance June 30, 2007	Amounts due within one year
Capital appropriation advances	$ 8,116	$ 1,562	$ 3,365	$ 6,313	$ -
Deferred lease revenue	9,928	-	1,281	8,647	1,281
Long-term debt	118,383	5,899	5,272	119,010	6,278
Security deposits and other liabilities	6,387	25	686	5,726	-
Net pension and OPEB obligations	25,397	5,389	-	30,786	-
	$ 168,211	$ 12,875	$ 10,604	$ 170,482	$ 7,559

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amounts due within one year
Capital appropriation advances	$ 6,021	$ 4,119	$ 2,024	$ 8,116	$ -
Deferred lease revenue	11,209	-	1,281	9,928	1,281
Long-term debt	108,449	25,218	15,284	118,383	5,200
Security deposits and other liabilities	5,726	662	1	6,387	-
Net pension and OPEB obligations	15,398	9,999	-	25,397	-
	$ 146,803	$ 39,998	$ 18,590	$ 168,211	$ 6,481

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, 2007, totaled $138.8 million. In addition, unexpended proceeds of university-issued general revenue bonds designated for construction projects totaled $4.0 million at June 30, 2007.

Construction commitments at June 30, 2007 aggregated $89.0 million. At June 30, 2007, the university had received $6.3 million from State of Alaska capital appropriations and other sources in advance of expenditures.

12. Pension Plans:

Substantially all regular employees hired before July 1, 2006 participate in one of the following pension plans:

- The State of Alaska Public Employees' Retirement System (PERS), an agent multiple-employer defined benefit plan,
- The State of Alaska Teachers' Retirement System (TRS), a cost-sharing multiple-employer defined benefit plan,
- The University of Alaska Optional Retirement Plan (ORP), a single-employer defined contribution plan.

In addition, substantially all eligible employees participate in the University of Alaska Pension Plan, a supplemental single-employer defined contribution plan.

State legislation enacted in July 2005 offers new eligible employees hired on or after July 1, 2006 defined contribution retirement plans under PERS and TRS.

The University of Alaska Retirement Program, a single-employer defined contribution plan, which includes participation in both the ORP (Tier III) and the University of Alaska Pension Plan, is also effective for new participants hired on or after July 1, 2006.

Each new eligible employee will have a choice to participate in the applicable state plan or the University of Alaska Retirement Program.

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 percent for peace officers and firefighters and 6.75 percent 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. However, the 2007 actuarially determined rate was 24.38 percent of applicable gross pay and the employer contribution rate was capped at 20.58 percent in accordance with PERS board policy that limited yearly increases to 5 percentage points.

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	4.40%	3.10%	7.50%
Other employees	3.96%	2.79%	6.75%
Employer	12.07%	8.51%	20.58%
Annual pension/OPEB cost	$18,801,669	$13,255,737	$32,057,406
Contributions made	$15,640,602	$11,027,091	$26,667,693
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			
Medical	N/A	8.50%	
Pharmacy	N/A	12.00%	

An actuarial valuation as of June 30, 2004 set the contribution rates for the year ended June 30, 2007. The projected unit credit method was used and the initial unfunded accrued liability and future gains/losses are being amortized on a 25-year fixed period level percentage of pay.

The university's net pension obligation (NPO) for fiscal year 2007 was as follows:

Annual required contribution	$ 18,528,565
Interest on net pension obligation	1,228,844
Adjustment to annual required contribution	(955,740)
Annual pension cost (APC)	18,801,669
Contributions made	(15,640,602)
Increase in net pension obligation	3,161,067
Net pension obligation beginning of year	15,572,221
Net pension obligation end of year	$ 18,733,288

Three year trend information for pension benefits follows:

Year ended June 30	APC	Percentage of APC contributed	NPO
2005	$17,712,969	45.92%	$ 9,579,149
2006	$18,116,634	66.92%	$15,572,221
2007	$18,801,669	83.19%	$18,733,288

The university's net other postemployment obligation (OPEB) for fiscal year 2007 was as follows:

Annual required contribution	$ 13,063,192
Interest on net OPEB obligation	866,371
Adjustment to annual required contribution	(673,826)
Annual pension cost	13,255,737
Contributions made	(11,027,091)
Increase in net OPEB obligation	2,228,646
Net OPEB obligation beginning of year	9,824,318
Net OPEB obligation end of year	$ 12,052,964

Three year trend information for postemployment healthcare benefits follows:

Year ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2005	$10,759,896	45.92%	$ 5,818,937
2006	$12,107,981	66.92%	$ 9,824,318
2007	$13,255,737	83.19%	$12,052,964

Funding Status and Funding Progress

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. A schedule of funding progress for each of the three most recent actuarial valuations is included in this report as required supplementary information, which follows these notes to the basic financial statements. The funded status of PERS for pension and other postemployment healthcare benefits (OPEB) as of June 30, 2006, was as follows ($ in thousands):

	Pension	OPEB	Total
Actuarial accrued liability (AAL)	$ 522,315	$ 468,355	$ 990,670
Actuarial value of plan assets	456,238	195,281	651,519
Unfunded actuarial accrued liability (UAAL)	$ (66,077)	$(273,074)	$(339,151)
Funded ratio (actuarial value of plan assets/AAL)	87%	42%	66%
Covered payroll (active plan members)	$ 135,451	$ 135,451	$ 135,451
UAAL as a percentage of covered payroll	49%	202%	172%

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 percent 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 2007, contractually required employee and employer contribution rates were 8.65 percent and 26 percent, respectively. The actuarially determined employer contribution rate for 2007 was 41.78 percent. No net pension or OPEB obligation is recorded for TRS, since according to GASB 27 and GASB 45 no such obligation is recorded for cost sharing defined benefit plans when an employer's contribution equals the contractually required contribution. The amounts contributed to TRS by the university during the years ended June 30, 2007, 2006 and 2005 were $11,177,596, $9,167,681, and $6,769,122, respectively, equal to the required employer contributions for each year.

Defined Contribution Plans:

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

For eligible employees hired on or after July 1, 2006, the university contributes to PERS (Tier IV), a defined contribution plan established and administered by the State of Alaska (State). PERS provides pension, post employment health care, and occupational 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.

Employee contribution rates are 8 percent of covered payroll. Employer contributions are 5 percent of covered payroll, retiree medical plan contributions at 1.75 percent, occupational death and disability benefit contributions at .4 percent for peace officers and firefighters and .3 percent for other employees, and health reimbursement arrangement contributions at 3 percent of the employer's average annual employee compensation, based on the participant's employment classification.

In fiscal year 2007, the university's total covered payroll for the PERS plan was approximately $1.3 million. The amount contributed to PERS by the university during the year ended June 30, 2007 was $66,682.

<u>State of Alaska Teachers' Retirement System (TRS)</u>

For eligible employees hired on or after July 1, 2006, the university contributes to TRS (Tier III), a defined contribution plan established and administered by the State of Alaska (State). TRS provides pension, postemployment health care, and occupational 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.

Employee contribution rates are 8 percent of covered payroll. The funding policy for TRS provides for employer contributions at 7 percent of covered payroll, retiree medical plan contributions at 1.75 percent, and health reimbursement arrangement contributions at 3 percent of the employer's average annual employee compensation, based on the participant's employment classification.

In fiscal year 2007, the university's total covered payroll for the TRS plan was approximately $.9 million. The amount contributed to TRS by the university during the year ended June 30, 2007 was $60,403.

University of Alaska Optional Retirement Plan (ORP)

The ORP is comprised of three layers of participants, the original ORP or ORP Tier 1, ORP Tier 2 which was created for participants hired on or after July 1, 2005, and ORP Tier 3 which was created for participants hired on or after July 1, 2006. For ORP Tier 1 and ORP Tier 2, faculty classified as regular and certain administrators made a one-time election to participate in the ORP as an alternative to participation in the defined benefit plans, PERS or TRS. For ORP Tier 3, each new eligible employee may make a one-time election to participate in the University of Alaska Retirement Program (includes ORP Tier 3 and the University of Alaska Pension Plan) as an alternative to participation in the State of Alaska defined contribution plans, 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 Tier 1

The ORP Tier 1 participants make employee contributions to one of the plan's annuity programs at a rate of 8.65 percent of covered payroll. The university contributes 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 (21 percent for FY07 and 16.33 percent for FY06).

In fiscal year 2007 and 2006, the university's total covered payroll for the ORP Tier 1 plan was approximately $52.0 million and $54.6 million, respectively. The amounts contributed to the ORP Tier 1 by the university during the years ended June 30, 2007, 2006, and 2005 were $10,927,908, $8,907,978 and $7,133,412, respectively.

ORP Tier 2

The ORP Tier 2 participants make employee contributions to one of the plan's annuity programs at a rate of 8.65 percent of covered payroll. The university contributed to one of the plan's authorized employee-selected annuity providers or investment managers at a rate of 12 percent of covered payroll for fiscal year 2007 and 2006.

In fiscal year 2007 and 2006, the university's total covered payroll for the ORP Tier 2 plan was approximately $5.7 million and $4.0 million, respectively. The amounts contributed to the ORP Tier 2 by the university during the years ended June 30, 2007 and 2006 were $683,786 and $484,288, respectively.

The ORP Tier 2 plan was available for newly-hired ORP benefit-eligible employees hired in fiscal year 2006. As of July 1, 2006, the ORP Tier 2 plan was no longer available to newly-hired ORP benefit-eligible employees.

ORP Tier 3

The ORP Tier 3 is eligible for employees hired on or after July 1, 2006. Employee contribution rates are 8 percent of covered payroll and the university's contribution rate is 12 percent of covered payroll.

In fiscal year 2007, the university's total covered payroll for the ORP Tier 3 plan was approximately $12.3 million. The amount contributed to the ORP Tier 3 by the university during the year ended June 30, 2007 was $1,473,090.

Plan Assets

At June 30, 2007 and 2006, plan assets (participants' accounts attributable to employer contributions) had a net value of approximately $92.3 million for ORP Tier 1, ORP Tier 2 and ORP Tier 3, and $70.2 million for ORP Tier 1 and ORP Tier 2, respectively. ORP Tier 1 and ORP Tier 2 participants are 100 percent vested at all times. University contributions for ORP Tier 3 participants are 100 percent vested after 3 years of service.

University of Alaska Pension Plan (Pension)

In addition to the other retirement plans, substantially all regular employees (hired before July 1, 2006) and certain 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. Eligible employees, hired on or after July 1, 2006, electing to participate in the University of Alaska Retirement Program also participate in the Pension plan. Effective January 1, 2007, employer contributions for regular employees were 7.65 percent of covered wages up to a maximum of $42,000 and $97,500 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. Participants hired before July 1, 2006 are 100 percent vested at all times. University contributions for participants hired on or after July 1, 2006 are 100 percent vested after 3 years of service.

In 2007 and 2006, the university's total covered payroll for the Pension plan was approximately $175.3 million and $173.5 million, respectively. The university's costs to fund and administer the plan totaled $13.4 million, or 7.66 percent of covered payroll. At June 30, 2007 and 2006, plan assets (participants' accounts) had a net value of approximately $318.8 million and $275.7 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, 2006	Provision for Claims	Claims Payment	Balance June 30, 2007
Health	$ 6,404	$ 45,764	$ (45,306)	$ 6,862
General liability	7,518	743	(3,186)	5,075
Workers' compensation	5,778	2,075	(1,692)	6,161
Unemployment	69	316	(315)	70
	$ 19,769	$ 48,898	$ (50,499)	$ 18,168

	Balance July 1, 2005	Provision for Claims	Claims Payment	Balance June 30, 2006
Health	$ 6,259	$ 41,359	$ (41,214)	$ 6,404
General liability	7,134	1,110	(726)	7,518
Workers' compensation	5,036	2,068	(1,326)	5,778
Unemployment	120	383	(434)	69
	$ 18,549	$ 44,920	$ (43,700)	$ 19,769

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 of these legal proceedings, environmental investigations, audit adjustments, or other commitments and contingent liabilities.

In addition, an ongoing environmental assessment for the Northwest Campus Front Street property and a vendor claim for the university's Museum of the North are discussed below:

- The university received a Potentially Responsible Party (PRP) letter from the Alaska Department of Environmental Conservation (ADEC) in August 2006. The letter identified the university as one of the potential parties that may be responsible for cleanup costs of soil contamination found during a water line improvement project next to Northwest Campus property. The extent of the contamination source, the number of potentially responsible parties, and remediation costs are unknown.
- The university received a vendor claim in June 2006 for approximately $16.4 million in excess of contractual agreements for the university's Museum of the North construction project on the Fairbanks Campus. In FY07, the university agreed upon net settlement costs of $4.65 million and recorded this amount on the Statement of Net Assets in accrued expenses.

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 2007 and 2006, the university transferred $965,491 and $430,647 respectively, to the foundation. For the same periods, distributions and expenditures by the foundation for the benefit of the university totaled $15.5 million and $15.3 million, of which $15.2 million and $14.7 million were direct reimbursements to the university. At June 30, 2007 and 2006, the foundation owed the university $1.9 million and $1.6 million, respectively, primarily for reimbursement of expenditures on grants provided by the foundation.

The university provided accounting and administrative support for the foundation through fiscal year 2006. Reimbursement to the university for these services was $0.7 million for the year ended June 30, 2006. Beginning in fiscal year 2007, the support arrangement was modified between the university and the foundation. The foundation fully reimburses the university for foundation operating expenses and the university provides additional funding for institutional support. For the year ended June 30, 2007, the foundation reimbursed $1.6 million in operating expenses to the university and the university provided institutional support of $.8 million to the foundation.

The investable resources of the university's land grant endowment trust fund and the foundation's pooled endowment funds are combined into a consolidated endowment fund for investment purposes. At June 30, 2007 and 2006, the fair value of the fund was $266.5 million and $224.2 million, respectively. The university's share of this fund was $147.0 million and $125.1 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, 2007						
	Compensation & Benefits	Contractual Services	Supplies & Materials	Other	Student Aid	Depre-ciation	Total
Instruction	$ 146,619	$ 24,561	$ 9,869	$ 126	$ -	$ -	$ 181,175
Academic support	37,301	6,524	6,781	53	-	-	50,659
Research	83,740	37,427	10,071	45	-	-	131,283
Public service	20,556	8,422	1,661	287	-	-	32,926
Student services	30,183	8,714	2,803	190	-	-	41,890
Operations and maintenance	23,638	13,528	11,963	1,087	-	-	50,216
Institutional support	53,602	9,849	4,339	1,772	-	-	69,562
Student aid	-	-	-	-	13,566	-	13,566
Auxiliary enterprises	9,338	14,967	14,217	159	-	-	38,681
Depreciation	-	-	-	-	-	57,455	57,455
	$ 406,977	$ 123,992	$ 61,704	$ 3,719	$ 13,566	$ 57,455	$ 667,413

	Year ended June 30, 2006						
	Compensation & Benefits	Contractual Services	Supplies & Materials	Other	Student Aid	Depre-ciation	Total
Instruction	$ 131,966	$ 22,093	$ 9,303	$ 178	$ -	$ -	$ 163,540
Academic support	33,324	6,156	5,115	29	-	-	44,624
Research	77,635	39,911	8,609	127	-	-	126,282
Public service	20,662	9,284	1,917	212	-	-	32,075
Student services	28,062	7,848	2,507	95	-	-	38,512
Operations and maintenance	22,947	9,281	10,756	1,182	-	-	44,166
Institutional support	46,862	10,659	4,129	128	-	-	61,778
Student aid	-	-	-	-	13,383	-	13,383
Auxiliary enterprises	8,793	14,448	13,857	108	-	-	37,206
Depreciation	-	-	-	-	-	59,807	59,807
	$ 370,251	$ 119,680	$ 56,193	$ 2,059	$ 13,383	$ 59,807	$ 621,373

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for PERS
($ 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:							
	2004	$ 326,815	$ 444,092	$ (117,277)	74%	$ 116,156	101%
	2005	$ 307,243	$ 441,742	$ (134,499)	70%	$ 124,699	108%
	2006	$ 456,238	$ 522,315	$ (66,077)	87%	$ 135,451	49%
Postemployment healthcare benefits:							
	2004	$ 230,444	$ 313,137	$ (82,693)	74%	$ 116,156	71%
	2005	$ 294,945	$ 424,061	$ (129,116)	70%	$ 124,699	104%
	2006	$ 195,281	$ 468,355	$ (273,074)	42%	$ 135,451	202%
Total:							
	2004	$ 557,259	$ 757,229	$ (199,970)	74%	$ 116,156	89%
	2005	$ 602,188	$ 865,803	$ (263,615)	70%	$ 124,699	106%
	2006	$ 651,519	$ 990,670	$ (339,151)	66%	$ 135,451	172%

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

THIS PAGE INTENTIONALLY

LEFT BLANK

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.

<u>Debt Service Fund (Section 504)</u>. (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 Bondowner 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.

<u>Merger or Consolidation (Section 910)</u>. 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.

<u>Supplemental Indentures Effective Upon Execution by the Trustee (Section 1001)</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, 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

THIS PAGE INTENTIONALLY

LEFT BLANK

Wohlforth | Johnson | Brecht
Cartledge | Brooking

A PROFESSIONAL CORPORATION

Julius J. Brecht
Cheryl Rawls Brooking
Cynthia L. Cartledge
Michael Gatti
Clyde W. Hutchins Jr.
Robert M. Johnson
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.akatty.com

January 31, 2008

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, 2008 Series O (the "Bonds") in the aggregate principal amount of $23,795,000. 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 December 6, 2007 (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 a Twelfth Supplemental Indenture between the University and the Trustee, dated as of January 1, 2008 (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 1 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
2008	$650,000	3.500%	2018	$670,000	4.000%
2009	995,000	3.500	2019	695,000	4.000
2010	1,025,000	3.375	2020	725,000	4.000
2011	1,050,000	3.375	2021	795,000	4.000
2012	1,095,000	3.375	2022	830,000	4.000
2013	1,140,000	3.375	2023	865,000	4.000
2014	1,175,000	3.375	2024	900,000	4.000
2015	1,220,000	3.375	2026	1,920,000	4.125
2016	1,260,000	3.500	2028	1,685,000	4.125
2017	1,310,000	3.500	2033	3,790,000	4.250

The Bonds are being issued in fully registered form only. Interest on the Bonds is payable on April 1, 2008, and semiannually thereafter on October 1 and April 1 in each year. The Bonds are dated as of the date of delivery. The Bonds are subject to optional and mandatory redemption and are otherwise of the description as provided or set forth in the Indenture and Bonds.

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.

Subject to 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 subject to no prior lien granted under the Act.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds is taken into account in determining "adjusted current earnings" for purposes of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the University comply with all requirements of the Internal Revenue Code of 1986, as amended, 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, excludable from gross income for federal income tax purposes. The University has covenanted to comply with all applicable requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be

included 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. Under existing law, interest on the Bonds is free 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 federal alternative minimum tax imposed on corporations, as described above, 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

THIS PAGE INTENTIONALLY

LEFT BLANK

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the University of Alaska (the "Issuer") in connection with the issuance of $_____________ University of Alaska General Revenue Bonds, 2008 Series O (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 trustee (the "Trustee") and a Twelfth Supplemental Indenture dated as of January 1, 2008, 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 Controller 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 2008 for the fiscal year ended June 30, 2008), 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.

---

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

(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 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: January __, 2008

UNIVERSITY OF ALASKA

By____________________________________

THIS PAGE INTENTIONALLY

LEFT BLANK

APPENDIX E

BOND INSURANCE and SPECIMEN ASSURED GUARANTY POLICY

THIS PAGE INTENTIONALLY

LEFT BLANK

Assured Guaranty Corp. "Bond Insurer"

The following information has been furnished by Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer") for use in this Official Statement.

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the holder of such Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent, to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., "AAA" by Fitch, Inc. and "Aaa" by Moody's Investors Service, Inc. Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are 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 any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty Corp.

As of December 31, 2006, Assured Guaranty had total admitted assets of $1,248,270,663 (audited), total liabilities of $962,316,898 (audited), total surplus of $285,953,765 (audited) and total statutory capital (surplus plus contingency reserves) of $916,827,559 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2007, Assured Guaranty had total admitted assets of $1,324,414,515 (unaudited), total liabilities of $1,073,740,147 (unaudited), total surplus of $250,674,368 (unaudited) and total statutory capital (surplus plus contingency reserves) of $950,697,359 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") in making such determinations.

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2006 (which was filed by AGL with the Securities and Exchange Commission (the "SEC") on February 28, 2007), as amended by the Form 10-K/A filed by AGL on March 1, 2007;

- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 (which was filed by AGL with the SEC on May 7, 2007);

- The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 (which was filed by AGL with the SEC on August 9, 2007);

- The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (which was filed by AGL with the SEC on November 8, 2007); and

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading “Bond Insurance-The Insurer” shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “Bond Insurance”.

ASSURED GUARANTY®

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
t. 212.974.0100
www.assuredguaranty.com

Financial Guaranty Insurance Policy

Issuer: **Policy No.:**

Obligations: **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department – Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:__________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel