

**NEW ISSUE
BOOK ENTRY ONLY
March 5, 2012**

**RATINGS: Moody's Investors Service: Aa2
Standard & Poor's: AA-
(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 tax preference item for purpose of either the individual or corporate alternative minimum tax. Interest on the Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "TAX MATTERS" herein.

\$32,805,000

UNIVERSITY OF ALASKA

General Revenue Refunding Bonds, 2012 Series R

Dated: As of Delivery Date

Due: October 1, as shown below

The University of Alaska General Revenue Refunding Bonds, 2012 Series R 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 October 1, 2012 and semiannually thereafter on April 1 and October 1 of each year and are subject to redemption prior to maturity as described herein.

The Bonds are revenue obligations of the University of Alaska (University) secured under a Trust Indenture dated as of June 1, 1992, between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), and a Fifteenth Supplemental Trust Indenture dated as of March 1, 2012 between the University and the Trustee. The Bonds are being issued to refund certain general revenue bonds (the "Refunded Bonds") of the University. See "REFUNDING PROGRAM" herein. Upon issuance of the Bonds, \$136,595,000 principal amount of General Revenue Bonds will be outstanding. This amount 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 POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS.

MATURITY SCHEDULE

<u>Due</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>914046*</u>	<u>Due</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>914046*</u>
2013	\$1,015,000	2.50%	0.27%	103.440%	WQ6	2021	\$ 2,600,000	5.00%	2.00%	125.954%	WY9
2014	1,035,000	3.00	0.45	106.450	WR4	2022	2,650,000	4.00	2.20†	115.423†	WZ6
2015	1,450,000	3.00	0.65	108.227	WS2	2023	2,070,000	4.00	2.40†	113.578†	XA0
2016	1,655,000	3.00	0.75	110.040	WT0	2024	2,155,000	4.00	2.55†	112.217†	XB8
2017	1,700,000	2.50	1.05	107.793	WU7	2025	2,245,000	4.00	2.65†	111.320†	XC6
2018	2,240,000	5.00	1.29	123.220	WV5	2026	2,335,000	4.00	2.75†	110.432†	XD4
2019	2,360,000	5.00	1.55	124.482	WW3	2027	2,420,000	3.00	3.12	98.529	XE2
2020	2,480,000	5.00	1.82	125.065	WX1	2028	1,260,000	3.125	3.25	98.408	XF9

\$1,135,000 3.25% Term Bond due October 1, 2030, yield 3.35%, Price 98.625%, CUSIP 914046XG7

The Bonds were purchased at a public sale on March 5, 2012 by Guggenheim Securities, LLC. The Bonds are offered when, as and if issued subject to the approving legal opinion of Wohlforth, 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 March 14, 2012.

* 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.

† Price and yield to the first optional call date of October 1, 2021.

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.

Guggenheim Securities, LLC (the "Underwriter") has requested the following sentence be included in this Official Statement. The Underwriter has not audited, authenticated or otherwise verified the information set forth in this Official Statement and therefore does not guarantee the accuracy and completeness of such information.

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

This Official Statement is submitted by the University in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is in a form "deemed final" by the University pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

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\$32,805,000
UNIVERSITY OF ALASKA
General Revenue Refunding Bonds, 2012 Series R

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OFFICIAL STATEMENT
\$32,805,000
UNIVERSITY OF ALASKA
General Revenue Refunding Bonds, 2012 Series R

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 Refunding Bonds, 2012 Series R in the principal amount of \$32,805,000 (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 Mellon Trust Company, N.A., as successor trustee, (the "Trustee") and as supplemented by the Fifteenth Supplemental Trust Indenture (the "Fifteenth Supplemental Trust Indenture") dated as of March 1, 2012 between the University and the Trustee. The Trust Indenture and the Fifteenth 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 \$32,805,000. The Bonds will be dated as of their date of issuance and will bear interest from the dated date of the Bonds payable on October 1, 2012, and semiannually thereafter on April 1 and October 1 of each year. The Bonds will mature on October 1 of each year and in the principal amounts, and will bear interest at the rates, as set forth on the cover of the Official Statement.

The Bonds will initially be issued in book-entry only form in denominations of \$5,000 or any integral multiple thereof. The Bonds, when executed and delivered, will be registered in the name of Cede &

Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as depository for the Bonds. Purchasers of beneficial interests in the Bonds will not receive physical delivery of certificates representing their interests in the Bonds. So long as DTC, or its nominee, Cede & Co. is the registered owner of all the Bonds, all payments on the Bonds will be made directly to DTC, and disbursements of such payments to the hereafter described Beneficial Owners of the Bonds will be the responsibility of the DTC Participants as more fully described hereafter.

OPTIONAL REDEMPTION

The Bonds maturing on or after October 1, 2022 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 selected by the University, subject to the provisions of, and in accordance with the Indenture, on or after October 1, 2021, 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, 2030 (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, 2030	
<u>Year</u>	<u>Sinking Fund Requirements</u>
2029	\$560,000
2030(maturity)	\$575,000

PURCHASE OF 2012 BONDS

The Trustee shall purchase 2012 Bonds at such times, for such prices, and in such amounts as the University shall from time to time direct in writing. However, no purchase of 2012 Bonds shall be made by the Trustee within the period of forty-five days next preceding any date on which such 2012 Bonds are subject to redemption. And, if the 2012 Bond to be purchased is a Term Bond, and less than all of the principal amount of such Term Bond is being purchased, the Trustee shall credit such purchase, on a pro rata basis, to each outstanding sinking fund installment due under such Term Bond.

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 Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond 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 3.5 million issues of

U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 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 upon DTC's receipt of funds and corresponding detail information from the University or the Trustee 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 Trustee, or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions, payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as 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 depository). In that 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 effect 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) advance refunding and redeeming certain maturities of the University's general revenue bonds, as described below in "Refunding Program," and (ii) paying the underwriter's discount on the Bonds.

REFUNDING PROGRAM

The Bond proceeds will be used to refund and redeem all of the outstanding principal amount of general revenue bonds described below (the "Refunded Bonds") at a redemption price of 100% of the principal amount of the Refunded Bonds plus accrued interest to their dates of redemption as set forth below.

General Revenue Bonds, Series 2002 K, Redemption date: October 1, 2012

<u>Maturity</u>	<u>CUSIP</u> <u>914046</u>	<u>Maturity</u>	<u>CUSIP</u> <u>914046</u>
2013	QT7	2019	QZ3
2014	QU4	2020	RA7
2015	QV2	2021	RB5
2016	QW0	2022	RC3
2017	QX8	2028	RG4
2018	QY6		

General Revenue Bonds, Series 2003 L, Redemption date: October 1, 2013

<u>Maturity</u>	<u>CUSIP</u> <u>914046</u>	<u>Maturity</u>	<u>CUSIP</u> <u>914046</u>
2016	RV1	2021	SA6
2017	RW9	2022	SB4
2018	RX7	2024	SC2
2019	RY5	2028	SD0
2020	RZ2	2030	SE8

General Revenue Bonds, Series 2004 M, Redemption date: October 1, 2013

<u>Maturity</u>	<u>CUSIP</u> <u>914046</u>	<u>Maturity</u>	<u>CUSIP</u> <u>914046</u>
2015	SS7	2021	SY4
2016	ST5	2022	SZ1
2017	SU2	2023	TA5
2018	SV0	2024	TB3
2019	SW8	2028	TC1
2020	SX6		

The University will enter into an irrevocable Escrow Agreement with The Bank of New York Mellon Trust Company (the “Escrow Agent”), as agent for the Refunded Bonds. Funds held under the Escrow Agreement will be invested in direct obligations of, or any obligation the full and timely payment of principal and interest on which is guaranteed by the United States of America (“Federal Obligations”), in an amount sufficient to make full and timely payment of the redemption price of the Refunded Bonds, along with the interest on the Refunded Bonds to the redemption date. All amounts deposited with the Escrow Agent, including interest earnings thereon, are pledged solely and irrevocably for the benefit of the owners of the Refunded Bonds.

FUTURE FINANCINGS

In fiscal year 2012 the University received authority from the State of Alaska to issue \$50 million of general revenue bonds for deferred maintenance projects. The University has used approximately \$26.5 million of this authorization with the issuance of its General Revenue Bonds, 2011 Series Q. The University anticipates that it will use the remaining \$23.5 million of bond authorization in the next twelve to eighteen months.

**Table 1
UNIVERSITY OF ALASKA
Sources and Uses of Funds**

Sources:	
Bond Principal	\$ 32,805,000.00
Net Original Issue Premium	4,293,435.20
Other University funds*	<u>1,001,798.55</u>
Total Sources	<u>\$38,100,233.75</u>
 Uses:	
Deposit to Escrow	\$37,462,955.00
Costs of Issuance, including underwriting discount	<u>637,278.75</u>
Total Uses	<u>\$38,100,233.75</u>

*Other University funds include available cash and amounts released from the Reserve Fund.

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 University 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 anticipated to exceed \$2.5 million dollars.

The Bonds are issued by virtue of a Bond Resolution adopted by the Board of Regents of the University on February 24, 2012, an Indenture dated June 1, 1992 by and between the University and the Trustee, and a Fifteenth Supplemental Indenture dated March 1, 2012 by and between the University and the Trustee (the “Indenture”). Since 1992, the University has issued sixteen series of general revenue bonds

totaling \$238.59 million of which \$139.1 million were outstanding as of February 2, 2012. Upon issuance of the Bonds, \$136.595 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 State is not obligated, morally or legally, 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 Alaska Statute 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)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Student Tuition and Fees, net	\$ 84,469	\$ 92,083	\$ 98,211	\$106,340	\$116,104
Facilities and Administrative Cost Recovery	30,937	30,731	30,086	33,087	33,737
Sales and Services of Educational Depts.	3,688	3,345	3,850	4,073	4,215
Other Sources, Net of Gifts (2)	14,837	14,457	15,687	14,457	16,896
Auxiliary Enterprises, net	38,849	39,192	39,990	39,225	39,265
Total Pledged Revenue	<u>\$172,780</u>	<u>\$179,808</u>	<u>\$187,824</u>	<u>\$197,182</u>	<u>\$210,217</u>
Fiscal year debt service	\$ 7,899	\$ 8,057	\$ 9,036	\$ 9,132	\$ 9,192
Coverage	21.9X	22.3X	20.8X	21.6X	22.9X

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

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

Source: University of Alaska Fund Accounting.

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 31, 2011, the reserve requirement is \$6.5 million. As of December 31, 2011, the Reserve Fund held Investment Securities with a market value of \$6.5 million which is comprised of \$6.08 million in a money market investment and \$0.42 million in Federal Agency bonds.

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 two 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 two 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 two 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. There is no subordinated indebtedness secured by a lien on the Revenues as of the date of this Official Statement.

DEBT SERVICE COVERAGE

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

	<u>2011</u>
Pledged Revenues	\$210,217,000
Maximum Aggregate General Revenue Bond Debt Service including the Bonds (Fiscal Year 2014)	\$12,623,105
Coverage	16.7X

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

Fiscal Year	Debt Service Outstanding Revenue Bonds (2)	2012 Series R			Total General Revenue Bond Debt Service	Other Indebtedness (3)	Total
		Principal	Interest	Total			
2012 (1)	\$ 1,962,663				\$ 1,962,663	\$ 153,692	\$ 2,116,355
2013	11,035,510	-	1,343,730	1,343,730	12,379,240	2,333,530	14,712,770
2014	10,337,655	1,015,000	1,270,450	2,285,450	12,623,105	2,123,897	14,747,002
2015	10,208,556	1,035,000	1,242,238	2,277,238	12,485,793	1,657,469	14,143,262
2016	9,926,296	1,450,000	1,204,963	2,654,963	12,581,259	1,619,624	14,200,883
2017	9,703,849	1,655,000	1,158,388	2,813,388	12,517,236	1,539,594	14,056,830
2018	9,641,524	1,700,000	1,112,313	2,812,313	12,453,836	1,500,000	13,953,836
2019	7,830,399	2,240,000	1,035,063	3,275,063	11,105,461	1,500,000	12,605,461
2020	7,820,311	2,360,000	920,063	3,280,063	11,100,374	1,500,000	12,600,374
2021	7,838,724	2,480,000	799,063	3,279,063	11,117,786	1,500,000	12,617,786
2022	7,675,124	2,600,000	672,063	3,272,063	10,947,186	1,500,000	12,447,186
2023	7,388,168	2,650,000	554,063	3,204,063	10,592,230	1,500,000	12,092,230
2024	6,971,911	2,070,000	459,663	2,529,663	9,501,574	1,501,365	11,002,939
2025	6,084,130	2,155,000	375,163	2,530,163	8,614,293		8,614,293
2026	5,845,496	2,245,000	287,163	2,532,163	8,377,659		8,377,659
2027	5,843,329	2,335,000	195,563	2,530,563	8,373,891		8,373,891
2028	3,417,655	2,420,000	112,563	2,532,563	5,950,218		5,950,218
2029	3,027,666	1,260,000	56,575	1,316,575	4,344,241		4,344,241
2030	2,659,916	560,000	27,788	587,788	3,247,704		3,247,704
2031	2,655,763	575,000	9,344	584,344	3,240,106		3,240,106
2032	2,657,633	-	-	-	2,657,633		2,657,633
2033	2,655,313	-	-	-	2,655,313		2,655,313
2034	1,144,481				1,144,481		1,144,481
2035	299,575				299,575		299,575
2036	301,638				301,638		301,638
	<u>\$ 144,933,282</u>	<u>\$ 32,805,000</u>	<u>\$ 12,836,211</u>	<u>\$ 45,641,211</u>	<u>\$ 190,574,493</u>	<u>\$ 19,929,171</u>	<u>\$ 210,503,664</u>

Source: University of Alaska Fund Accounting.

- (1) 2012 Total Debt Service reflects remaining balance after February 1, 2012 principal and interest payment.
- (2) Excludes debt service for the Refunded Bonds. See "THE USE OF BOND PROCEEDS -- REFUNDING PROGRAM" herein.
- (3) Other indebtedness consists primarily of \$16.1 million outstanding, as of February 2, 2012, note payable to the Alaska Housing Finance Corporation (AHFC). The remaining amount is debt service on \$1.8 million of outstanding installment contracts, due quarterly through Fiscal Year 2017. 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
March 14, 2012

	Interest Rates	Interest Payment Dates	Issue Date	Final Maturity Date	Amount Issued	Outstanding March 14, 2012
Installment Contracts Outstanding	2.78 - 4.77%	Quarterly	Various	04-15-17	\$ 4,107,213	\$ 1,812,331
Notes Payable						
Alaska Housing Finance Corp. (AHFC) ⁽¹⁾	1.826%	8-1/2-1	05-14-97	02-01-24	\$ 33,000,000	\$ 16,099,842
Revenue Bonds						
General Revenue Bonds, 2002 Series K*	1.40 - 5.00%	10-1/4-1	07-31-02	10-01-12	33,515,000	1,365,000
General Revenue Bonds, 2003 Series L*	3.00 - 4.70%	10-1/4-1	12-09-03	10-01-15	9,970,000	860,000
General Revenue Bonds, 2004 Series M*	3.25 - 4.75%	10-1/4-1	01-08-04	10-01-14	11,070,000	1,115,000
General Revenue Bonds, 2005 Series N	3.00 - 5.00%	10-1/4-1	08-31-05	10-01-35	24,355,000	19,725,000
General Revenue Bonds, 2008 Series O	3.375 - 4.25%	10-1/4-1	01-31-08	10-01-33	23,795,000	20,075,000
General Revenue Bonds, 2009 Series P	2.00-5.00%	10-1/4-1	12-08-09	10-01-23	14,045,000	11,780,000
General Revenue Bonds, 2011 Series Q	2.00-5.00%	10-1/4-1	10-05-11	10-01-32	48,870,000	48,870,000
General Revenue Bonds, 2012 Series R	2.50-5.00%	10-1/4-1	03-05-12	10-01-30	<u>32,805,000</u>	<u>32,805,000</u>
					<u>\$ 198,425,000</u>	<u>\$ 136,595,000</u>
Total Long-Term Debt					<u>\$ 235,532,213</u>	<u>\$ 154,507,173</u>

Source: University of Alaska Fund Accounting.

- (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.

* Does not include the Refunded Bonds. See “The USE OF BONDS PROCEEDS – Refunding Program”.

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 June 2010, the Board of Regents appointed the then President of Alaska Railroad Corporation Patrick K. Gamble as the 13th 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 more than twenty-six programs along with a number of graduate certificate programs. It has a medical education program in conjunction with the States of Washington, Idaho, Wyoming and Montana and a clinical psychology PhD. program jointly offered with University of Alaska Fairbanks. It also provides adult and continuing education programs. 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 the two military bases in the Anchorage area.

The University of Alaska Fairbanks is a comprehensive, four year, doctoral degree-granting institution with four colleges and four professional schools that offer bachelor's degrees in more than sixty-five 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 fifty fields and doctoral programs are offered in the areas of anthropology, atmospheric sciences, biology, engineering, geology, geophysics, mathematics, oceanography, physics, space physics, and wildlife management. The Community and Technical College, 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 40.120-170 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:

Patricia Jacobson, Chair
Kirk Wickersham, Secretary
Mari Freitag, Student Regent
Fuller A. Cowell
Mary K. Hughes
Vacant

Carl Marrs, Vice Chair
Jyotsna Heckman, Treasurer
Timothy C. Brady
Kenneth J. Fisher
Michael Powers

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.

Patrick K. Gamble, President, UA
Vacant, Vice President for Finance and Administration and Chief Financial Officer
Michael Hostina, General Counsel, UA
Myron J. Dosch, Controller, UA
Wei Guo, Senior Accountant, UA
James Danielson, Vice Chancellor for Administrative Services, UAS
Pat Pitney, Vice Chancellor for Administrative Services, UAF
William H. Spindle, Vice Chancellor for Administrative Services, UAA

Patrick K. Gamble, became the 13th president of the University of Alaska on June 1, 2010. Prior to joining the university, he served Alaska for over nine years as president and chief executive officer of the Alaska Railroad Corporation. Before leading the railroad, Mr. Gamble served as a fighter pilot in the U.S. Air Force, retiring as a four-star general and as commander of the United States Air Force in the Pacific Region. Prior to that assignment, Mr. Gamble was director of Air Force Air and Space Operations in the Pentagon. From 1996 to 1998, he served as commander of Alaskan Command. Previous military assignments included director of NATO operations and logistics during Bosnia operations. He also served as Commandant of the U.S. Air Force Academy and commanded two fighter wings.

Mr. Gamble earned a Bachelor of Arts degree in mathematics from Texas A & M University and a Master of Business Administration from Auburn University, Alabama.

Vice President for Finance and Administration and Chief Financial Officer. This position is vacant. The University is in the process of recruiting for this position.

Michael Hostina was appointed General Counsel for the University Statewide System in October 2011. Mr. Hostina served as Associate General Counsel for the University from 2002 to 2011. He served as the University's director of labor relations from 1998 to 2002, and as regional director and legal counsel for the State of Alaska Ombudsman's Office in Fairbanks from 1989 to 1995. Mr. Hostina is a graduate of Temple University Law School.

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 started his experience with the University system in 1995. Mr. Dosch's experience includes his current position of Controller for the University, six years as the financial accounting director 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.

Wei Guo, CPA, serves as Senior Accountant for the University Statewide System, beginning in June 2011. Prior to this position, she served as the manager for a public accounting firm in Fairbanks, Alaska for the period January 2009 through May 2011, and as a supervisor for the same accounting firm from August 2006 through December 2008. Ms. Guo's experience also includes six years with a public accounting firm in Durham, North Carolina. Ms. Guo earned a Master of Accounting degree from University of North Carolina at Chapel Hill in 2000.

James Danielson was appointed Vice Chancellor for Administrative Services at the University of Alaska Southeast (UAS) in January 2012. Prior to this appointment, Mr. Danielson served as Associate Vice Chancellor for Administrative Services at UAS. Prior to joining the University, he was the controller at Massachusetts College of Pharmacy and Health Sciences. His past work experience includes employment at Deloitte, as a certified public accountant in the firm's practice in Boston. Mr. Danielson earned his MBA from Idaho State University in 1999, and his Bachelor of Arts in Accounting from Utah State University in 1997.

Pat Pitney was appointed Vice Chancellor for Administrative Services at the University of Alaska Fairbanks in October 2008. Prior to this appointment, she served as Vice President for Planning and Budget Development for the University Statewide System. Ms. Pitney began her University of Alaska experience in 1991 as a research analyst and held management and leadership positions at the Statewide System for institutional research, information systems implementation, budgeting, planning, and accountability. Ms. Pitney earned a Bachelor's of Science degree in Engineering Physics from Murray State University in 1987 and an M.B.A. from the University of Alaska Fairbanks in 1991.

William H. Spindle, Ed.D., is Vice Chancellor for Administrative Services at the University of Alaska Anchorage (UAA), a position he has been in since 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 4,553 regular employees and 3,970 temporary employees as of fall 2011. Members of the University's full-time regular instructional and research faculty total 1,395, 64% of which hold tenure or tenure-track faculty appointments as of fall 2011. Including part-time faculty, there were 328 professors, 390 associate professors, 595 assistant professors and 1,332 instructors as of fall 2011. As of fall 2011, there were approximately 376 employees affiliated with the University of Alaska Federation of Teachers (UAFT), 957 employees affiliated with the United Academics – American Association of University Professors / American Federation of Teachers (AAUP/AFT), 1,062 employees affiliated with the United Academic-Adjuncts, and approximately 283 employees affiliated with the Alaska Higher Education Crafts and Trades Employees. The University also has nine fire fighters associated with Fairbanks Fire Fighters Association, International Association of Fire Fighters AFL – CIO. The University considers itself to have good relationships with its various employee groups. For fiscal year 2011, total University compensation and benefits was \$485.6 million, including union affiliated employees.

THE STUDENT BODY

STUDENT ENROLLMENT

Approximately ninety percent of the University students are residents of the State of Alaska. The remaining students come from the other 49 states and many foreign countries.

The University believes enrollment will increase modestly for the near future because more Alaskan students are attending college in-State. For the various academic years ending June 30, the University awarded the following degrees and certificates:

<u>June</u>	<u>Doctorate</u>	<u>Masters</u>	<u>Baccalaureate</u>	<u>Associate</u>	<u>Certificates</u>
2006	21	510	1,443	939	254
2007	33	643	1,419	969	286
2008	29	604	1,408	982	402
2009	37	537	1,527	928	277
2010	45	622	1,498	988	447
2011	46	641	1,616	1,068	452

Source: University of Alaska Institutional Research and Analysis.

The following table indicates the total fall enrollment of undergraduate and graduate students, and the full-time equivalent and total credit hours for the fall semester, for all students attending the University. Full-time equivalent for undergraduate is calculated as 15 student credit hours for courses below the 500 level and 12 student credit hours for courses at the 500 level and above for graduate, excluding audited credit hours. This represents the average number of credits needed to receive an undergraduate degree in four years, or a graduate degree in two years. The enrollment figures listed for the years 2004 – 2011 are the fall semester closing figures that are available in January following the end of the semester.

Table 5
UNIVERSITY OF ALASKA
On Campus Fall Enrollment

<u>Fall</u>	<u>Head Count</u>			<u>Full-Time Equivalent</u>			<u>Total</u>
	<u>Under-graduate</u>	<u>Graduate</u>	<u>Total</u>	<u>Under-graduate</u>	<u>Graduate</u>	<u>Total</u>	<u>Taken</u>
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	29,955	2,211	32,166	16,126	1,225	17,351	254,875
2008	29,944	2,384	32,328	16,296	1,311	17,607	258,321
2009	31,121	2,589	33,710	17,195	1,395	18,589	273,150
2010	31,824	2,656	34,480	17,841	1,451	19,292	283,385
2011	32,304	2,679	34,983	18,405	1,458	19,863	292,256

Source: University of Alaska Institutional Research and Analysis.

Table 6 shows the number of applications accepted and the number of students enrolled for the fall semesters. Fall semester includes the prior summer term students.

Table 6
UNIVERSITY OF ALASKA
Student Applications and Enrollment

<u>Fall Semester</u>	<u>Applications Received</u>	<u>Accepted</u>	<u>Percent Accepted</u>	<u>Students Enrolled</u>	<u>Percent Enrolled</u>
Freshman					
2006	5,409	4,019	74.3%	2,873	71.5%
2007	5,252	3,940	75.0%	2,847	72.3%
2008	5,962	4,158	69.7%	2,932	70.5%
2009	6,650	4,873	73.3%	3,406	69.9%
2010	7,025	5,225	74.4%	3,589	68.7%
2011	6,705	5,107	76.2%	3,517	68.9%
Transfer Undergraduates					
2006	2,708	1,875	69.2%	1,266	67.5%
2007	2,782	1,938	69.7%	1,292	66.7%
2008	3,012	2,068	68.7%	1,386	67.0%
2009	3,395	2,402	70.8%	1,682	70.0%
2010	3,461	2,492	72.0%	1,689	67.8%
2011	3,424	2,521	73.6%	1,754	69.6%
Total Undergraduates					
2006	8,117	5,894	72.6%	4,139	70.2%
2007	8,034	5,878	73.2%	4,139	70.4%
2008	8,974	6,226	69.4%	4,318	69.4%
2009	10,045	7,275	72.4%	5,088	70.0%
2010	10,486	7,717	73.6%	5,278	68.4%
2011	10,129	7,628	76.0%	5,271	69.1%
Graduate Students					
2006	1,360	638	46.9%	465	72.9%
2007	1,403	722	51.5%	523	72.4%
2008	1,484	785	52.9%	602	76.7%
2009	1,518	725	47.8%	574	79.2%
2010	1,541	703	45.6%	556	79.1%
2011	1,531	668	43.6%	523	78.3%

Source: University of Alaska Institutional Research and Analysis.

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	<u>2005</u> -06	<u>2006</u> -07	<u>2007</u> -08	<u>2008</u> -09	<u>2009</u> -10	<u>2010</u> -11	<u>2011</u> -12	<u>2012*</u> -13
Undergraduate lower div, resident	\$109	\$120	\$128	\$134	\$141	\$147	\$154	\$165
Undergraduate upper div, resident	123	135	144	151	159	170	187	200
Undergraduate lower div, nonresident	363	399	427	448	471	500	542	580
Undergraduate upper div, nonresident	377	414	443	465	489	523	575	615
Graduate, resident	244	268	287	301	316	338	372	383
Graduate, nonresident	498	547	586	615	646	691	760	783

*2012-2013 Tuition increase per credit hour was approved by the Board of Regents in December 2010.

Source: University of Alaska Institutional Research and Analysis.

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 2011-2012, average annual registration fees at Fairbanks are \$963, compared to \$776 at Anchorage and \$720 at Southeast.

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

Student Classification	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Undergraduate, resident	\$ 4,818	\$ 5,173	\$ 5,408	\$5,703	\$6,078	6,438
Undergraduate, nonresident	13,788	14,593	15,308	16,293	17,718	18,888
Graduate, resident	7,682	8,104	8,492	9,138	9,954	10,155
Graduate, nonresident	14,858	15,640	16,412	17,610	19,266	19,755

*Assumes registration fees at Fairbanks. Undergraduate 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. Graduate tuition is based on 12 credit hours per semester.

Source: University of Alaska Institutional Research and Analysis.

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	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Room and Board	\$ 6,030	\$ 6,030	\$ 6,630	\$ 6,802	\$ 6,960	\$ 6,960
Tuition, Fees, Books & Supplies	<u>5,238</u>	<u>5,518</u>	<u>5,908</u>	<u>6,708</u>	<u>7,103</u>	<u>7,493</u>
Combined Total	<u>\$11,268</u>	<u>\$11,548</u>	<u>\$12,538</u>	<u>\$13,510</u>	<u>\$14,063</u>	<u>\$14,453</u>

Source: University of Alaska Institutional Research and Analysis.

FINANCIAL AID STATISTICS, COLLEGE SAVINGS PLAN AND SCHOLARS PROGRAM

Financial aid for the last several aid years (fall, spring and summer semesters) is shown below. Decrease in Alaska Student Loans is due primarily to increased volume of Pell Grants and Federal Stafford loans, which offer more favorable rates than the Alaska Student Loan Program.

Table 10
UNIVERSITY OF ALASKA
Summary of Financial Aid
By Aid Year: Fall - Spring - Summer Semesters
(\$'s in 000's)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Scholarships, Grants and Awards					
Federal - Pell Grants	\$ 8,917.7	\$ 9,839.5	\$ 11,213.8	\$ 17,234.7	\$ 24,598.4
Federal - Other	1,853.4	1,957.7	1,951.7	2,215.3	3,178.4
UA Foundation	1,537.2	1,618.6	1,670.9	1,972.1	2,069.2
Institutional	7,940.6	8,666.8	10,611.3	11,449.4	12,090.9
Other	8,343.6	9,094.3	10,731.8	11,563.4	12,575.2
Total	<u>\$ 28,592.5</u>	<u>\$ 31,176.9</u>	<u>\$ 36,179.5</u>	<u>\$ 44,434.9</u>	<u>\$ 54,512.1</u>
Loans					
Alaska Student Loans	\$ 21,673.5	\$ 19,613.8	\$ 17,999.9	\$ 6,227.5	\$ 4,302.9
Federal	41,883.6	45,493.7	53,628.3	67,937.4	76,107.0
Other	1,096.8	1,030.0	942.8	1,461.5	1,273.9
Total	<u>\$ 64,653.9</u>	<u>\$ 66,137.5</u>	<u>\$ 72,571.0</u>	<u>\$ 75,626.4</u>	<u>\$ 81,683.8</u>
Student Employment	<u>\$ 17,774.0</u>	<u>\$ 18,123.6</u>	<u>\$ 18,866.8</u>	<u>\$ 20,363.1</u>	<u>\$ 20,857.4</u>
Total Financial Aid	<u><u>\$ 111,020.4</u></u>	<u><u>\$ 115,438.0</u></u>	<u><u>\$ 127,617.3</u></u>	<u><u>\$ 140,424.4</u></u>	<u><u>\$ 157,053.3</u></u>

Source: University of Alaska Institutional Research and Analysis.

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 \$4.3 billion at January 13, 2012, with over 21,000 Alaskans having established accounts in the plan.

UNIVERSITY OF ALASKA SCHOLARS PROGRAM

The University of Alaska Scholars Program (“Program”) is a four-year scholarship given to the top ten percent of graduates from qualified Alaska high schools each year. The Program offers an \$11,000 scholarship for use at any University campus. Scholars receive \$1,375 per semester for a total of eight semesters. The Program is considered a significant reason for the increase of Alaska college-bound seniors attending the University. As of fall 2011, there were 2,030 UA Scholars enrolled.

ALASKA PERFORMANCE SCHOLARSHIP PROGRAM AND ALASKADVANTAGE EDUCATION GRANT

For academic year 2011-2012, the State of Alaska created the Alaska Performance Scholarship program administered by Alaska Commission on Postsecondary Education. This \$6 million program is a merit-based scholarship that provides an opportunity for any future Alaska high school graduate who meets a core set of requirements to receive funding to pursue college and/or career training in Alaska. There are three maximum award levels, \$4,755 a year, \$3,566 a year, and \$2,378 a year. The scholarship provides additional incentives for Alaska high school graduates to pursue higher education with the University.

The AlaskAdvantage Education grant is also new for academic year 2011-2012. This \$3 million program provides need-based financial assistance to eligible Alaska students attending qualifying postsecondary educational institutions in Alaska. A portion of funds is set aside for applicants with exceptional academic preparation and for those enrolled in workforce shortage programs. Grant awards range from a minimum of \$500 to a maximum of \$3,000 per academic year for students who have qualifying unmet financial need.

FACILITIES AND CAPITAL PROGRAM

LIBRARIES AND MUSEUM

The University's library collection contains more than 2.3 million book volumes with extensive collections housed at Fairbanks, Anchorage and other sites. The University's system wide general library collection of books, periodicals and documents is approximately 1.5 million titles.

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.

RESIDENTIAL AND OTHER

The University maintains and operates 71 student residential buildings having a combined designed capacity of approximately 2,970 beds as well as an additional 31 faculty and staff housing units. 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, 2011).

June	Original	Adjusted			Average Age
2010	<u>Project Cost</u>	<u>Gross Value</u>	<u>Square Feet</u>	<u>Buildings</u>	<u>weighted by GSF</u>
	\$1,196,687,000	\$1,917,449,000	6,607,038	403	32.4 years

Infrastructure, leasehold and other improvements have a historical cost of \$112.2 million as of June 2011.

CAPITAL PROGRAM

Major construction projects of the University are funded primarily by State of Alaska capital appropriations, including state-issued general obligation bonds, and University revenue bonds. For fiscal year 2012, State of Alaska capital appropriations include \$37.5 million for deferred maintenance, \$8.0 million for renewal and miscellaneous projects and \$34 million for a sports arena on the Anchorage campus. The deferred maintenance appropriation of \$37.5 million represents the second installment of a five year program by the Governor to address such needs across state agencies. Receipt of future appropriations is dependent on legislative approval.

Fiscal year 2011 capital appropriations included \$39.6 million for deferred maintenance and \$207 million for University projects that were included as part of a \$397.2 million authorization of State general obligation bonds that was approved by Alaska voters in November 2010. The \$207 million in University projects include, \$88 million for Life Sciences Facility at University of Alaska Fairbanks, \$14.5 million for Career & Technical Education Center at Kenai Peninsula College, \$16 million for Student Housing at Kenai Peninsula College, \$23.5 million for Valley Center for Art & Learning at Mat-Su College, \$5 million for campus renovation and renewal at Prince William Sound Community College and \$60 million for a sports arena at University of Alaska Anchorage. In December 2010, the State sold \$200 million of general obligation bonds to provide initial funding for the University and other projects that were authorized in the November referendum.

For fiscal year 2010, the State of Alaska appropriated \$3.2 million for renewal and renovation projects at various campuses in the University system.

State of Alaska capital appropriations for fiscal year 2009 totaled \$107.2 million, which included \$46 million to construct a 65,000 gross square foot health sciences facility in Anchorage, \$15 million for the planning, design and site preparation for the new sports arena in Anchorage and \$46.2 million for renewal/renovation and other smaller projects.

The Board of Regents has an ongoing capital program which includes renovation of existing facilities, new construction, planning and design for new construction, and reducing deferred maintenance and

renewal backlog. The capital plan for fiscal year 2012 through 2021 supports the University's strategic plan and the campus academic and research plans.

The University continues to monitor its deferred and imminent renewal needs and makes it a top priority budget request to the legislature. For fiscal year 2012, in excess of \$900 million has been identified as deferred or imminent renewal needs for the University's approximately 6.6 million square feet of physical plant that has an adjusted gross value of approximately \$1.9 billion.

The Board of Regents submitted a fiscal year 2013 capital budget request to the Governor totaling \$202.2 million, consisting of \$187.5 million for renewal, renovation and deferred maintenance and \$14.7 million for special projects. The Governor's capital budget includes only \$37.5 million for deferred maintenance.

RETIREMENT PLANS

Substantially all regular employees participate in either the State of Alaska Public Employees' Retirement System ("PERS") or the State of Alaska 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 owns any notes, bonds or other instruments of the University.

PERS and TRS are administered by the State of Alaska, through the Department of Administration. In 2005, the State Legislature enacted legislation to close PERS and TRS defined benefit plans and established defined contributions plans, each with a health care component, for new employees. In 2008, the State Legislature enacted legislation which shifted to the State of Alaska more of the cost of funding the unfunded accrued actuarial liability ("UAAL") of PERS and TRS. This legislation set employer contribution rates, including those of the University, at 22 percent of total payroll for PERS and 12.56 percent of total payroll for TRS. The additional amount necessary to fully fund the plans at the actuarial rates, in excess of the 22 percent and 12.56 percent has been paid by the State of Alaska. In 2011 and 2010 the State of Alaska made payments totaling \$21.839 million and \$17.975 million directly to the retirement plans on-behalf of the University. A more complete description of the PERS and TRS plans, including the UAAL, is available at http://doa.alaska.gov/drb/retirement/valuations_portal.html⁽¹⁾.

The University contributed \$62.6 million and \$61.8 million to its retirement and pension plans during fiscal year 2011 and 2010, respectively, not including the on-behalf payments made by the State of Alaska. (For more information about the retirement plans, see Note 12 in Appendix A – University of Alaska Audited Financial Statements Fiscal Year Ending June 30, 2011).

The University of Alaska and State of Alaska are currently defendants in a class action lawsuit that alleges that they underfunded the Optional Retirement Plan defined contribution plans of 690 employees. Abel Bult-Ito, et. al., v. State of Alaska et. al., 3AN-09-7875CI. After mediation, the defendants reached a proposed settlement with class representatives, and the case is stayed while the parties attempt to fulfill the requirements of the mediated settlement and seek the approval of the legislature and court. At this time, no final settlement numbers are known. However, the University does not anticipate the settlement to have a material financial impact on the University. The case will either settle in 2012 or go back onto the court's calendar.

(1) Reference to the State of Alaska's website is provided for convenience only. The reference is not a hyperlink and, by this reference, the State of Alaska's website is not incorporated into this Official Statement.

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 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.

Commencing in fiscal year 2009, the University has seven operating appropriations, essentially one for each major administrative unit. Transactions between appropriations are not allowed unless a reimbursable services agreement is approved or an exemption has been granted by the State's Office of Management and Budget.

Table 11
UNIVERSITY OF ALASKA
Summary of State Appropriations ⁽¹⁾
For Fiscal Years Ending June 30
(\$'s in 000's)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011⁽³⁾</u>	<u>2012</u>	<u>2013⁽⁴⁾</u>
Operating:						
General Operating Bill ⁽¹⁾	\$289,236	\$307,303	\$323,202	\$335,296	\$346,073	\$352,787
Separate/Special Legislation ⁽²⁾	<u>10,791</u>	<u>13,467</u>	<u>11,624</u>	<u>11,348</u>	<u>12,307</u>	<u>12,712</u>
Total	<u>\$300,027</u>	<u>\$320,770</u>	<u>\$334,826</u>	<u>\$346,644</u>	<u>\$358,380</u>	<u>\$365,499</u>
Capital:						
Capital Expenditures - New	\$ 3,750	\$ 61,300	\$ -	\$ 219,000	\$34,000	\$ -
Revitalization, Facility Renewal, Deferred Maintenance	8,475	45,823	3,200	39,550	45,504	37,500
Separate/Special Legislation	<u>640</u>	<u>125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,865</u>	<u>\$107,248</u>	<u>\$ 3,200</u>	<u>\$258,550</u>	<u>\$79,504</u>	<u>\$37,500</u>

- 1) Appropriations exclude receipt authority for other sources such as general revenue bonds, federal grants and contracts that may be used for operating activity, purchase of equipment or capital construction.
- 2) Fiscal years 2007 through 2012 each include approximately \$1.413 million and fiscal year 2013 \$1.215 million in appropriations for reimbursement of a portion of the debt service on the Series K Bonds in accordance with Section 14.40.257 of the Alaska Statutes.
- 3) In 2011, \$207 million of the \$219 million capital appropriation represents projects that have or will be funded from State general obligation bonds. See "CAPITAL PROGRAM" herein.
- 4) Governor's submission to legislature. Pending legislature approval or revision.

Source: University of Alaska.

For fiscal years 2011, 2010, 2009 and 2008 operating state appropriations do not include pension payments of \$21.839 million, \$17.975 million, \$30.502 million and \$28.464 million, respectively, which the State of Alaska made directly to PERS and TRS on-behalf of the University. These payments are being made as part of State legislation aimed at reducing the unfunded liabilities of these pension plans. Similar payments are in effect in 2012 and are anticipated indefinitely, in accordance with State law.

INVESTMENTS AND LIQUIDITY

The 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. It is the University's investment strategy to reduce risk, enhance liquidity and safeguard University investments from market exposure. As a result, the University's investment portfolio mainly consists of cash or safer, shorter term investments with high liquidity.

At June 30, 2011 the University had operating investments totaling \$123.8 million, primarily consisting of cash on hand, savings, money market funds, an overnight repurchase agreement and investments in fixed income bonds. The University's fixed income bonds include corporate bonds, U.S. Treasury bonds, and Federal agency bonds which are held in the name of the University. Cash, savings, certificates of deposit and money market investments represent 36.7% of total operating investment portfolio. Fixed income bonds with thirty to ninety days maturity comprised 39.1% of the portfolio and the remaining 24.2% are fixed income bonds with three to five years maturity. The money market mutual funds are all rated AAA. As of June 30, 2011 and 2010, the University's operating funds were as follows (\$'s in 000's):

<u>Investment Type</u>	<u>2011</u>	<u>2010</u>
Cash and Deposits	\$ 11,093	\$ 4,290
Repurchase Agreement	22,199	22,951
Hedge Funds		851
Money Market Mutual Funds	12,168	80,859
Fixed Income Bonds - Short Term	48,397	
Fixed Income Bonds - Long Term	29,919	
	<u>\$ 123,776</u>	<u>\$ 108,951</u>

GIFTS, ENDOWMENTS AND FUND RAISING

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.

In fiscal year 1998, the Foundation established the Consolidated Endowment Fund to combine for investment purposes the University's Land Grant Endowment Trust Fund and the Foundation's Pooled Endowment Fund. The Consolidated Endowment 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 Endowment Fund.

Beginning July 1, 2006, the Foundation implemented an administrative fee on gifts and endowments to support the Foundation's operations 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 – .50% 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.

A portion of the administrative fees assessed by the Foundation are allocated to the campuses to support development efforts to increase private support. Foundation assets are not pledged to the Bonds.

Table 12
UNIVERSITY OF ALASKA FOUNDATION
Summary Financial Information
For Fiscal Years Ending June 30
(\$'s in 000's)

	2007	2008	2009	2010	2011
Revenues, gains and other support					
Donations and Bequests	\$ 20,034	\$ 29,131	\$ 29,810	\$ 15,942	\$ 15,802
Investment income	3,747	3,383	2,118	1,955	2,403
Net realized and unrealized gains and losses	17,183	(6,202)	(31,614)	7,174	17,382
Other (includes transfers from the University)	1,065	1,056	1,686	1,483	1,601
Actuarial adjustment of remainder trust obligations	(9)	(13)	(36)	(99)	298
Total	<u>\$ 42,020</u>	<u>\$ 27,355</u>	<u>\$ 1,964</u>	<u>\$ 26,455</u>	<u>\$ 37,486</u>
Distributions to the University	<u>\$ 15,511</u>	<u>\$ 15,429</u>	<u>\$ 17,700</u>	<u>\$ 13,290</u>	<u>\$ 13,729</u>
Net Assets:					
Unrestricted	\$ 43,757	\$ 41,379	\$ 31,233	\$ 33,832	\$ 23,424
Temporarily restricted	71,759	81,280	67,349	62,732	79,551
Permanently restricted	50,445	53,245	59,695	72,310	87,024
Total Net Assets	<u>\$ 165,961</u>	<u>\$ 175,904</u>	<u>\$ 158,277</u>	<u>\$ 168,874</u>	<u>\$ 189,999</u>

Source: University of Alaska Foundation Audited Financial Statements.

Overall, total donations and bequests received by the Foundation were \$15.8 million in fiscal year 2011, compared to \$15.9 million in fiscal year 2010. There was an 8% increase in the number of donors from the previous year. The number of donors supporting the University has increased by 51% since fiscal year 2006.

The estimated fair value of the Foundation’s investments with quarterly or less frequent redemption periods as of June 30, 2011, totaled \$27.1 million. These investments were all held within the Consolidated

Endowment Fund and represent 21% of the Foundation's balance in the fund. The limitations and restrictions on the Foundation's or the Consolidated Endowment Fund's ability to redeem or sell these investments vary by investment and range from required notice periods (generally sixty to ninety days after initial lock-up periods) for certain absolute return and equity hedge funds, to specified terms at inception (generally twelve years) associated with private capital interests.

ENDOWMENT FUNDS

As of June 30, 2011, the University held financial and real estate endowment net assets of \$178.7 million separate from the Foundation. Of this amount \$177.1 million represented Land Grant Trust Fund net assets held by the University. In 1997, 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.

Land Grant Trust property 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. The net proceeds from timber, land and other rights are deposited in the land grant endowment trust fund. At June 30, 2011 approximately 82,000 acres were held in trust at no basis because fair value at the date of transfer was not determinable.

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 Alaska Statute 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 investment principles established under Alaska Statutes, 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 projects and programs necessary to establish or enhance the quality of the University's academic programs, research or public service. The annual spending allowance of the Land Grant Trust Fund is based on four and one-half percent of a five year moving average of the invested balance. Withdrawals of net earnings to meet the spending allowance are limited to the unexpended accumulated net earnings of the endowments.

Table 13
UNIVERSITY OF ALASKA
Endowment Fund - Summary Financial Information
For Fiscal Years Ending June 30
(\$'s in 000's)

	2007	2008	2009	2010	2011
Unrestricted Endowment Income	\$ 6,295	\$ 5,476	\$ 6,118	\$ 3,343	\$ 3,321
Land Grant Trust Assets					
Cash and Investments	\$ 147,525	\$ 143,004	\$ 105,840	\$ 112,191	\$ 129,017
Land Sale Receivables	6,430	4,583	4,433	4,189	5,319
Real Property	39,088	38,844	42,476	42,445	42,736
Total Land Grant Trust Net Assets	193,043	186,431	152,749	158,825	177,072
Other Endowment Fund Net Assets	1,115	990	989	990	1,580
Total Endowment Fund Net Assets	\$ 194,158	\$ 187,421	\$ 153,738	\$ 159,815	\$ 178,652

Source: University of Alaska.

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, Department of Education, Department of Health and Human Services, National Aeronautics and Space Administration, Department of Agriculture and Department of Commerce.

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 to Stimulate Competitive Research (EPSCoR) and the National Institutes of Health, National Center for Research Resources support for the Center for Alaska Native Health Research (CANHR) and IDeA Network of Biomedical Research Excellence (INBRE).

In August 2008, after 30 years of planning and development, the National Science Foundation (NSF) awarded the University of Alaska Fairbanks (UAF) \$2.5 million for the first phase of funding for the construction of the Alaska Region Research Vessel (ARRV). In May 2009 UAF received a \$148.1 million award from the NSF to construct the ARRV of which \$61.5 million was expended through December 31, 2011. As designed, the ARRV will be a 242 foot, multipurpose oceanographic research vessel capable of operating in seasonal ice and open regions around Alaska. The ARRV will be owned by NSF and operated

by UAF on behalf of the entire ocean sciences community. The estimated completion date for the ARRIV is spring of 2014.

As of August 1, 2011, the University received \$197.0 million in awards from the American Recovery and Reinvestment Act (ARRA) of February 2009 (also known as “stimulus” fund) which covers 69 projects. The University expended \$40.6 million and \$8.8 million of the ARRA awards during fiscal years 2011 and 2010, respectively. The largest award was for the Alaska Region Research Vessel described above and \$27 million was spent on this project during fiscal year 2011. The remaining awards are mainly for research activities the University conducts in the normal course of its mission and are for periods of one to five years. Table 14 summarizes annual expenditures of federal grants and contracts by major federal agencies.

Table 14
UNIVERSITY OF ALASKA
Expenditures of Federal Grants and Contracts by Agency
For Fiscal Years Ending June 30
(\$'s in 000's)

<u>Federal Agency</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
National Science Foundation	\$ 25,579	\$ 31,114	\$ 31,941	\$ 38,517	\$ 63,330
Department of Education	20,423	18,287	17,817	23,990	23,074
Department of Health and Human Services	15,266	13,793	14,380	16,330	18,420
National Aeronautics and Space Admin.	11,249	10,946	12,308	14,476	16,350
Department of Agriculture	15,570	12,693	12,694	12,230	10,420
Department of Commerce	14,489	12,744	13,580	10,335	11,269
General Services Administration	13,782	14,154	9,602	11,654	8,922
Department of Defense	12,005	8,408	8,303	9,758	7,948
Department of the Interior	8,905	8,876	8,762	8,773	11,808
Other Federal Agencies	13,555	14,057	13,260	12,742	17,011
	<u><u>\$ 150,823</u></u>	<u><u>\$ 145,072</u></u>	<u><u>\$ 142,647</u></u>	<u><u>\$ 158,805</u></u>	<u><u>\$ 188,552</u></u>

Source: University of Alaska Fund Accounting.

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 Facilities and Administrative Cost Recovery, 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, 2011, 2010, 2009 and 2008
(in thousands)

	2011	2010	2009	2008
Operating revenues				
Student tuition and fees	\$ 130,542	119,846	\$ 107,424	\$ 99,921
less scholarship allowances	(14,438)	(13,506)	(9,213)	(7,838)
	116,104	106,340	98,211	92,083
Federal grants and contracts	147,869	138,591	127,287	129,640
State and local grants and contracts	20,140	24,519	24,098	22,074
Private grants and contracts	47,276	45,728	46,902	45,985
Sales and services, educational departments	4,215	4,073	3,850	3,345
Sales and services, auxiliary enterprises, net of scholarship allowances of \$2,005, \$2,018, \$1,483, \$1,264	39,265	39,225	39,990	39,192
Other	22,696	14,457	15,687	14,457
Total operating revenues	<u>397,565</u>	<u>372,933</u>	<u>356,025</u>	<u>346,776</u>
Operating expenses				
Instruction	210,653	207,864	196,304	183,190
Academic support	61,453	58,454	54,642	52,174
Research	140,453	135,045	126,949	121,843
Public service	37,547	40,861	37,820	36,063
Student services	52,174	50,814	48,170	45,437
Operations and maintenance	62,772	59,821	61,186	54,983
Institutional support	86,950	87,859	90,184	82,611
Student aid	27,280	20,965	17,937	14,879
Auxiliary enterprises	37,947	40,401	39,724	39,410
Depreciation	57,170	58,228	55,649	56,883
Pension expense - NPO, OPEB and state on-behalf payments	21,839	17,975	30,502	29,003
Total operating expenses	<u>796,238</u>	<u>778,287</u>	<u>759,067</u>	<u>716,476</u>
Operating loss	<u>(398,673)</u>	<u>(405,354)</u>	<u>(403,042)</u>	<u>(369,700)</u>
Nonoperating revenues (expenses)				
State appropriations	346,644	334,826	320,770	300,027
State on-behalf contributions - pension	21,839	17,975	30,502	28,464
Investment earnings (losses)	3,971	3,810	(8,142)	4,408
Endowment investment income (loss)	22,777	12,953	(24,048)	964
Interest on debt	(4,400)	(4,852)	(4,986)	(4,895)
Federal student financial aid	24,692	18,275	11,812	9,848
Other nonoperating expenses	(1,870)	(1,905)	(4,428)	(3,423)
Net nonoperating revenues	<u>413,653</u>	<u>381,082</u>	<u>321,480</u>	<u>335,393</u>
Income (Loss) before other revenues	14,980	(24,272)	(81,562)	(34,307)
Capital appropriations, grants and contracts	117,779	61,951	63,617	85,660
Income (loss) before extraordinary item	132,759	37,679	(17,945)	51,353
Extraordinary item - Pension expense - net pension obligations			31,325	-
Net increase in net assets	<u>132,759</u>	<u>37,679</u>	<u>13,380</u>	<u>51,353</u>
Net assets				
Net assets - beginning of year	989,862	952,183	938,803	887,450
Net assets - end of year	<u>\$ 1,122,621</u>	<u>989,862</u>	<u>\$ 952,183</u>	<u>\$ 938,803</u>

Source: Audited Financial Statements.

Note: Prior years' figures have been restated to conform to current year presentation

Table 16
UNIVERSITY OF ALASKA
Statements of Net Assets
Fiscal Years Ending June 30, 2011, 2010, 2009 and 2008
(in thousands)

Assets	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets:				
Cash and cash equivalents	\$ 27,719	99,390	\$ 81,728	\$ 8,642
Short-term investments	57,973	6,129	26,184	26,463
Accounts receivable, less allowance of \$3,863, \$7,614 \$6,573 and \$5,239	73,739	70,369	64,523	69,084
Other assets	678	691	659	774
Inventories	6,875	7,963	7,220	8,110
Total current assets	<u>166,984</u>	<u>184,542</u>	<u>180,314</u>	<u>113,073</u>
Noncurrent assets:				
Restricted cash and cash equivalents	3,289	1,531	5,091	19,692
Notes receivable	3,219	4,189	4,433	4,583
Endowment investments	127,380	116,373	111,011	145,212
Land Grant Trust property and other assets	45,254	44,532	44,674	45,001
Long-term investments	47,582	7,652	7,875	83,922
Education Trust of Alaska	11,857	9,339	7,986	8,569
Capital assets, net of accumulated depreciation of \$807,411, \$760,343, \$715,776 and \$681,520	952,898	863,314	833,989	792,161
Total noncurrent assets	<u>1,191,479</u>	<u>1,046,930</u>	<u>1,015,059</u>	<u>1,099,140</u>
Total assets	<u>1,358,463</u>	<u>1,231,472</u>	<u>1,195,373</u>	<u>1,212,213</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	34,003	24,904	19,221	18,797
Accrued payroll	29,430	28,346	24,966	21,292
Unearned revenue and deposits	17,822	18,886	17,086	15,032
Accrued annual leave	11,876	11,752	11,320	10,459
Unearned lease revenue - current portion	1,281	1,281	1,281	1,281
Long-term debt - current portion	6,958	6,763	6,473	9,659
Insurance and risk management	13,842	22,763	20,134	19,283
Total current liabilities	<u>115,212</u>	<u>114,695</u>	<u>100,481</u>	<u>95,803</u>
Noncurrent liabilities:				
Unearned revenue - capital	5,678	2,875	10,519	5,781
Unearned lease revenue	2,242	3,523	4,804	6,085
Long-term debt	107,579	114,537	121,540	127,019
Net pension and OPEB obligations				31,325
Security deposits and other liabilities	5,131	5,980	5,846	7,397
Total noncurrent liabilities	<u>120,630</u>	<u>126,915</u>	<u>142,709</u>	<u>177,607</u>
Total liabilities	<u>235,842</u>	<u>241,610</u>	<u>243,190</u>	<u>273,410</u>
Net Assets				
Invested in capital assets, net of related debt	835,564	738,206	705,398	671,700
Restricted:				
Expendable	30,825	16,614	12,233	46,707
Nonexpendable	129,317	128,341	127,416	126,752
Unrestricted	126,915	106,701	107,136	93,644
Total net assets	<u>\$ 1,122,621</u>	<u>\$ 989,862</u>	<u>\$ 952,183</u>	<u>\$ 938,803</u>

Source: Audited Financial Statements.

Note: Prior years' figures have been restated to conform to current year presentation.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Wohlforth, Brecht, Cartledge & Brooking, Anchorage, Alaska, Bond Counsel to the University. The proposed form of the opinion is included herein as Appendix C.

TAX MATTERS

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 preference for purposes of determining alternative minimum taxable income for individuals or corporations under the Code. However, interest on the Bonds is taken into account in 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. Interest on tax-exempt obligations such as the Bonds are in many cases subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments 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. This 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 and State 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. 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.

Original Issue Discount. The Bonds maturing October 1, 2027 through October 1, 2030, inclusive (the “Discount Bonds”) are being sold at an original issue discount. The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity, constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds.

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

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

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

Original Issue Premium. The Bonds maturing October 1, 2013 through October 1, 2026, inclusive (the “Premium Bonds”) are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to the call premium). As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be

reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

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 judgment 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. Kaplan Financial Consulting, Inc. is registered as a Municipal Advisor with the Municipal Securities Rulemaking Board.

RATINGS

Prior to the sale of the Bonds, Moody's Investors Service Inc. and Standard and Poor's Rating Services, a Division of The McGraw-Hill Companies, Inc. assigned ratings of "Aa2" 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 each rating agency.

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 judgment 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, suspension of, or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

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

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

FINANCIAL STATEMENTS

The financial statements of the University for the fiscal year ended June 30, 2011, were examined by KPMG LLP, independent certified public accountants, whose report thereon appears in Appendix A. KPMG LLP, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement, nor has it consented to inclusion of the financial statements in this Official Statement.

UNDERWRITING

The University offered the Bonds at public sale on March 5, 2012. Guggenheim Securities, LLC, the Underwriter submitted the best bid at the sale of the Bonds. The University awarded the contract for sale of the Bonds to the Underwriter at a price of \$36,581,756.45 (reflecting an underwriting discount of \$516,678.75 and net original issue premium of \$4,293,435.20).

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 208, P.O. Box 755120 Fairbanks, Alaska 99775-5120, phone number 907-450-8079.

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/ Myron J. Dosch

Controller

APPENDIX A

**UNIVERSITY OF ALASKA
AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED
JUNE 30, 2011**

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UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Financial Statements
June 30, 2011 and 2010
(With Independent Auditors' Report Thereon)

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University of Alaska
(A Component Unit of the State of Alaska)
Financial Statements
June 30, 2011 and 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

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, 2011 (2011) and June 30, 2010 (2010), with selected comparative information for the year ended June 30, 2009 (2009). 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, nonprofit 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 Statements—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 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 U.S. 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, 2011, 2010 and 2009 follows (\$ in thousands):

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Current assets	\$ 166,984	\$ 184,542	\$ 180,314
Other noncurrent assets	238,581	183,616	181,070
Capital assets, net of depreciation	<u>952,898</u>	<u>863,314</u>	<u>833,989</u>
Total assets	<u>1,358,463</u>	<u>1,231,472</u>	<u>1,195,373</u>
Liabilities:			
Current liabilities	115,212	114,695	100,481
Noncurrent liabilities	<u>120,631</u>	<u>126,915</u>	<u>142,709</u>
Total liabilities	<u>235,842</u>	<u>241,610</u>	<u>243,190</u>
Net assets:			
Invested in capital assets, net of debt	835,564	738,206	705,398
Restricted – expendable	30,825	16,614	12,233
Restricted – nonexpendable	129,317	128,341	127,416
Unrestricted	<u>126,915</u>	<u>106,701</u>	<u>107,136</u>
Total net assets	<u>\$ 1,122,621</u>	<u>\$ 989,862</u>	<u>\$ 952,183</u>

Overall total net assets of the university increased \$132.8 million, or 13.4 percent. This increase was mainly due to a \$97.4 million increase in net capital assets. The change in net capital assets is discussed in more detail in the *Capital and Debt Activities* section below.

In the asset section, operating cash and investments increased from \$109.0 million at June 30, 2010 to \$123.8 million at June 30, 2011, primarily as a result of improved operating margins. The major asset allocation change in operating cash and investments was the creation of two fixed income portfolios in 2011. These portfolios totaled \$78.6 million at June 30, 2011 and comprised 64% of operating funds. The remaining balance of the operating funds is invested in deposits, a collateralized repurchase agreement and money market funds. Note 2 of the financial statements provides more information about deposits and investments and associated risks.

Endowment investments at June 30, 2011 were \$127.4 million as compared to \$116.4 million at June 30, 2010. The growth is attributed to an 18 percent investment return in 2011. Distributions from the endowment totaling \$5.6 million in 2011 were primarily used to fund the University of Alaska Scholars Program and land management efforts. The endowment investments are invested in a consolidated endowment fund that is managed by the foundation.

Total liabilities are categorized as either current liabilities or noncurrent liabilities on the Statement of Net Assets. Current liabilities are those that are due or will likely be paid in the next fiscal year. They are primarily comprised of accounts payable, accrued payroll and other expenses, insurance and risk management payables, debt and student deposits. Noncurrent liabilities are comprised mostly of long-term debt. Total liabilities decreased \$5.8 million during 2011 to a total of \$235.8 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

Total debt outstanding decreased from \$121.3 million at June 30, 2010 to \$114.5 million at June 30, 2011 as a result of principal payments. There was no new debt issued during the fiscal year.

Self insurance reserves (liabilities) for health care, general liability and worker's compensation were decreased by \$12.1 million in 2011 to bring the amounts closer to actuarial estimates. Note 13 of the financial statements reports more information about insurance and risk management.

Unrestricted net assets totaled \$126.9 million at June 30, 2011, representing an increase of \$20.2 million over the prior year. At year end, \$107.0 million was designated for specific purposes. See Note 7 of the financial statements for a detailed list of these designations.

Fiscal Year 2010 Comparisons (Statement of Net Assets)

Significant comments about changes between 2009 and 2010 that were noted in fiscal year 2010 *Management's Discussion and Analysis* are summarized below:

The Statement of Net Assets reflected an overall increase in net assets of four percent, or \$37.7 million.

Overall, total assets of the university increased \$36.1 million primarily because net capital assets increased \$29.3 million. Total liabilities decreased \$1.6 million.

There were no significant changes in 2010 with the university's operating deposits and investments. Substantially all funds at June 30, 2010 were invested in bank deposits, government securities and money market funds. After the global financial crisis in 2009, management focused on liquidity and safety for its operating funds, with an eye towards restructuring its portfolio. As a result, subsequent to June 30, 2010, approximately \$75 million was invested in a new fixed income portfolio.

Endowment investments at June 30, 2010 were \$116.4 million as compared to \$111.0 million at June 30, 2009. The endowment earned 9.47 percent in 2010 and spending distributions totaled \$5.5 million.

Total debt outstanding decreased from \$128.0 million at June 30, 2009 to \$121.3 million at June 30, 2010. The balance was reduced by scheduled principal payments and the refunding of previously issued general revenue bonds. The only new debt was for an equipment financing totaling \$249.8 thousand.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

A summarized comparison of the university's revenues, expenses and changes in net assets for the years ended June 30, 2011, 2010 and 2009 follows (\$ in thousands):

	2011	2010	2009
Operating revenues	\$ 397,565	\$ 372,933	\$ 356,025
Operating expenses	(796,238)	(778,287)	(759,067)
Operating loss	(398,673)	(405,354)	(403,042)
Net nonoperating revenues	413,653	381,082	321,480
Gain (Loss) before other revenues, expenses, gains, or losses	14,980	(24,272)	(81,562)
Other revenues, expenses, gains or losses	117,779	61,951	94,942
Increase in net assets	132,759	37,679	13,380
Net assets at beginning of year	989,862	952,183	938,803
Net assets at end of year	\$ 1,122,621	\$ 989,862	\$ 952,183

The Statement of Revenues, Expenses and Changes in Net Assets reflects an overall increase in net assets of 13.4 percent, or \$132.8 million. Major changes in revenues and expenses in 2011 are described below.

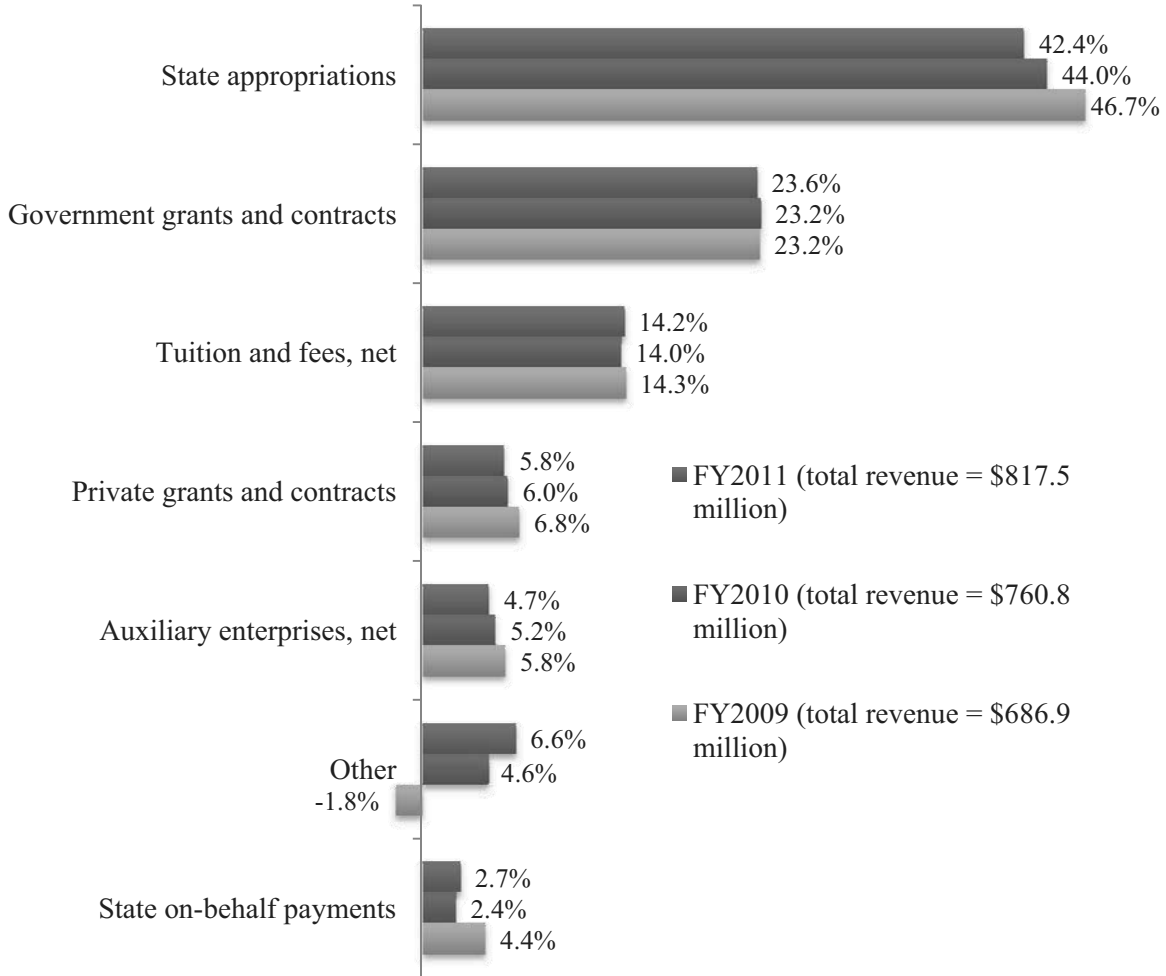
Capital appropriations and capital grant and contract revenue increased from \$62.0 million in 2010 to \$117.8 million in 2011. Revenue from capital sources is generally recognized as expenditures occur, so the amount shown on the Statement of Revenues, Expenses and Changes in Net Assets is a reflection of capital construction activity. A significant portion of the increase includes \$32.5 million expended for construction of the Alaska Region Research Vessel – Sikuliaq. For further discussion on capital activity, see the *Capital and Debt Activities* section which follows.

State of Alaska general fund appropriations continue to be the single major source of revenue for the university, providing \$346.6 million in 2011, as compared to \$334.8 million in 2010. Historically, the state has funded the university at an amount equal to or above the prior period's appropriation. In addition, the state made on-behalf pension payments of \$21.8 million directly to the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) defined benefit plans on behalf of the university. The state is paying the cost above the required employer contribution rate to fully fund the plans at the actuarial computed rate. Employer contribution rates have been capped at 22.00 percent and 12.56 percent for PERS and TRS, respectively. The pension payments were made on-behalf of the university and are presented as revenue and expense in the university's financial statements in accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

A comparison of operating and nonoperating revenues by source for 2011, 2010 and 2009 follows:

Operating and Nonoperating Revenues (excluding capital) by Year



Operating grant and contract revenue from federal, state, local and private sponsors totaled \$215.3 million for 2011, as compared to \$208.8 million in the prior year. The growth is primarily attributed to American Recovery and Reinvestment Act (ARRA) grants.

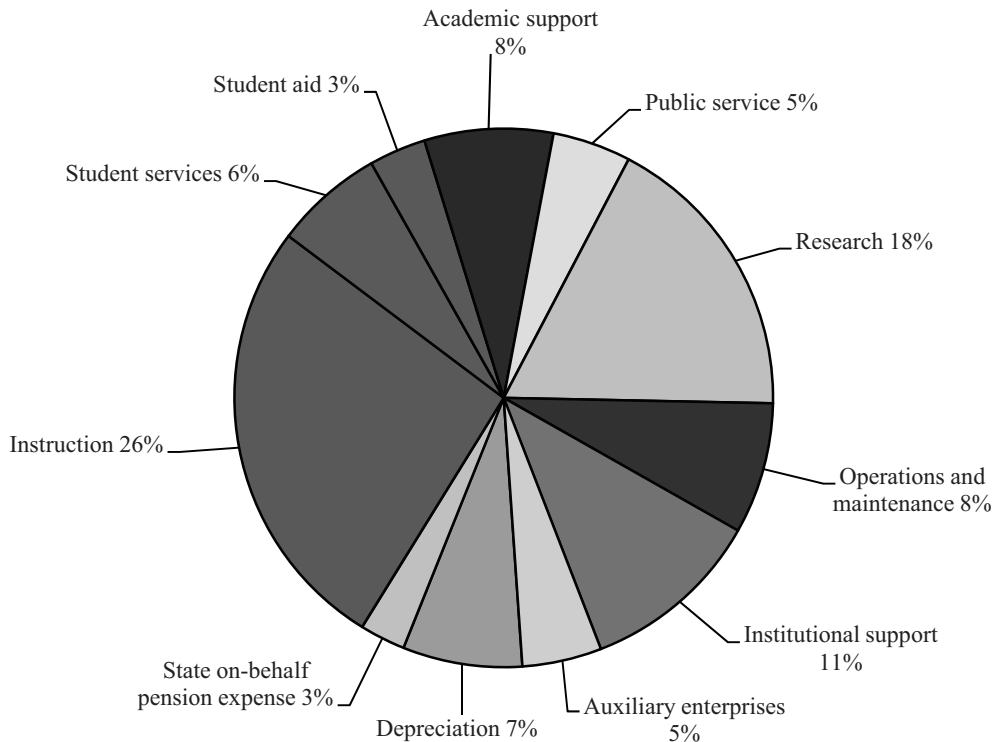
Gross student tuition and fee revenue totaled \$130.5 million in 2011 as compared to \$119.9 million in 2010. This was due in large part to a four percent increase in tuition rates for 100 to 200 level courses and seven percent for all other courses in academic year 2010 – 2011. Student headcount increased 2.3 percent to 34,480 students from Fall 2009 to Fall 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

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):

	Operating Expenses					
	Functional Classification (in millions)					
	FY2011		FY2010		FY2009	
Instruction	\$ 210.7	26.5%	\$ 207.9	26.7%	\$ 196.7	25.9%
Student Services	52.2	6.6%	50.8	6.5%	48.3	6.4%
Student Aid	27.3	3.4%	21.0	2.7%	17.9	2.4%
Academic Support	61.5	7.7%	58.5	7.5%	54.7	7.2%
Student and Academic	351.7	44.2%	351.7	45.2%	351.7	46.3%
Public Service	37.5	4.7%	40.9	5.3%	37.9	5.0%
Research	140.4	17.6%	135.0	17.3%	127.2	16.8%
Operations and Maintenance	62.8	7.9%	59.8	7.7%	61.3	8.1%
Institutional Support	86.9	10.9%	87.8	11.3%	89.3	11.8%
Auxiliary Enterprises	37.9	4.8%	40.4	5.2%	39.7	5.2%
State On-Behalf Pension	21.8	2.7%	18.0	2.3%	30.5	4.0%
Depreciation	57.2	7.2%	58.2	7.5%	55.6	7.3%
Total Operating Expenses	\$ 796.2	100.0%	\$ 778.3	100.0%	\$ 759.1	100.0%

**Fiscal Year 2011
Functional Classification**

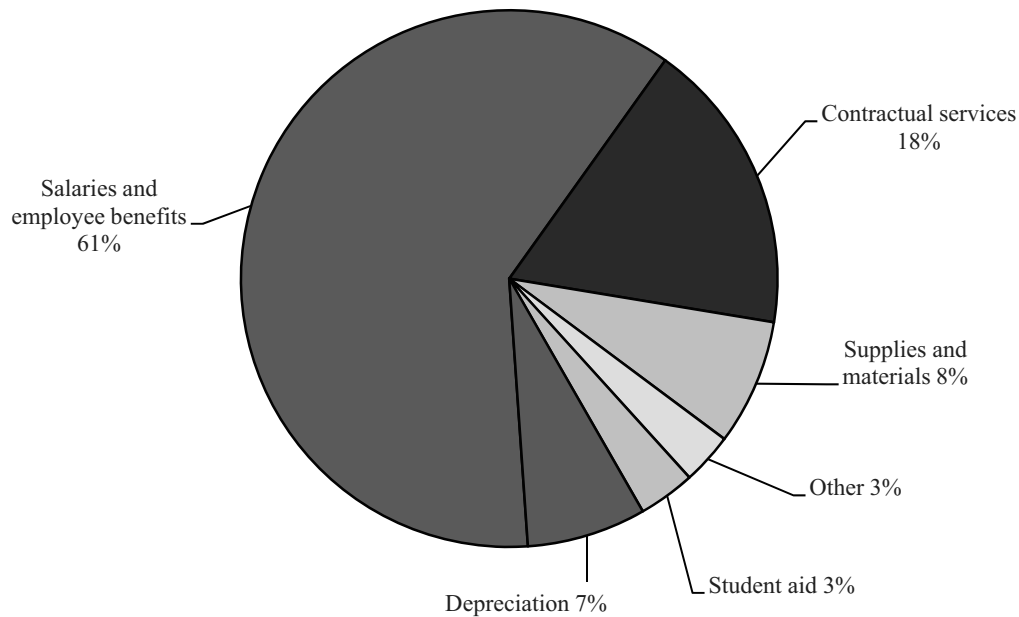


MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

Salaries and employee benefits increased 1.8 percent, or \$8.8 million, in 2011, which represents less of an increase than experienced in recent prior years. The relatively modest growth can be attributed to a combination of savings from vacancies and management efforts to minimize overall headcount growth.

	Operating Expenses					
	Natural Classification (in millions)					
	FY2011		FY2010		FY2009	
Salaries and Employee Benefits	\$ 485.6	61.0%	\$ 476.8	61.2%	\$ 453.7	59.7%
Contractual Services	141.2	17.7%	138.2	17.8%	132.5	17.5%
Supplies and Materials	60.4	7.6%	61.0	7.8%	65.1	8.6%
Other	24.6	3.1%	23.1	3.0%	34.3	4.5%
Student Aid	27.2	3.4%	21.0	2.7%	17.9	2.4%
Depreciation	57.2	7.2%	58.2	7.5%	55.6	7.3%
	<u>\$ 796.2</u>	<u>100.0%</u>	<u>\$ 778.3</u>	<u>100.0%</u>	<u>\$ 759.1</u>	<u>100.0%</u>

**Fiscal Year 2011
Natural Classification**



A portion of university resources 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 a scholarship allowance, directly offsetting student tuition and fee revenue or auxiliary revenue. Allowances totaled \$16.4 million in 2011 and \$15.5 million in 2010. In addition to the allowances, students participate in governmental financial aid loan programs. The loans are neither recorded as revenue or expense in the financial statements, but are recorded in the

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

Statements of Cash Flows as direct lending receipts totaling \$80.4 million and \$69.4 million in 2011 and 2010, respectively.

Endowment proceeds and investment income totaled \$22.8 million in 2011 as compared to \$13.0 million in 2010, primarily as a result of improved market returns. Total return in 2011 was 18 percent as compared to 9.5 percent in the prior year. This category also includes yield from, or sales of, trust land, and mineral interests, the net proceeds of which are generally deposited to the land grant endowment trust fund.

Fiscal Year 2010 Comparisons (Statement of Revenues, Expenses and Changes in Net Assets)

Significant comments about changes between 2009 and 2010 that were noted in fiscal year 2010 *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 four percent, or \$37.7 million. The major changes in revenue and expense are described below.

Gross student tuition and fee revenue totaled \$119.8 million in 2010 as compared to \$107.4 million in 2009. This was due in large part to a five percent increase in tuition rates for students for academic year 2009-2010. Student headcount increased 4.3 percent to 33,710 students from Fall 2008 to Fall 2009.

Salary and employee benefit costs increased five percent, or \$23.1 million, in 2010. Employee benefits, such as pension plan contributions and health care costs, increased 1.9 percent and comprised \$2.5 million of the change. Salaries and wages increased 6.5 percent, or \$20.6 million.

Investment returns from all non-endowment sources totaled \$3.8 million in 2010 compared to an \$8.1 million loss in 2009, as a result of the global financial crisis.

Endowment investments experienced a \$9.7 million gain in 2010 as compared to a \$34.4 million loss in 2009. The significant losses in 2009 were the result of the global financial crisis.

Endowment gifts, sales, and other proceeds totaled \$3.2 million in fiscal year 2010 as compared to \$10.4 million in 2009. The 2009 balance included the sale of real property near the Mat-Su campus totaling \$6.1 million.

Capital and Debt Activities

The university continued to modernize various facilities and build new facilities to address emerging state needs. Net capital asset increases totaled \$136.7 million in 2011, as compared with \$73.9 million in 2010 and \$76.1 million in 2009. These capital additions primarily comprise replacement, renovation, code corrections and new construction of academic and research

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

facilities, as well as investments in equipment and information technology. State capital appropriations for 2011 and 2010 were \$258.6 million and \$3.2 million, respectively. The 2011 appropriation includes \$207 million funded by State of Alaska issued general obligations bonds.

Construction in progress at June 30, 2011 totaled \$147.0 million and includes the following major projects:

At the University of Alaska Anchorage, construction is underway on the Health Sciences Building. This \$46.5 million, 65,321 square-foot building will accommodate the academic programs of the School of Nursing Biomedical Programs and Allied Health Sciences. It will feature offices and classrooms, interactive simulation labs, seminar rooms and student activity spaces. The building was completed in August 2011 and is now occupied.

The University of Alaska Fairbanks began construction in fiscal year 2010 of a new research vessel, named "Sikuliaq". The vessel construction is being funded by a \$148.1 million award from the National Science Foundation. As designed, the vessel will be a 254 foot multipurpose oceanographic research ship capable of operating in seasonal ice and open regions around Alaska. Once constructed, the university will manage the vessel operations to support the National Science Foundation and other federally funded science activities. The ship is expected to be complete in 2014.

Construction on the new Life Sciences Facility at the Fairbanks campus began in fiscal year 2011. The facility is approximately 100,000 square feet and will integrate teaching and research in biological, wildlife and biomedical sciences. The project cost is \$88.3 million and was approximately 15 percent complete at June 30, 2011. The facility is expected to be complete by May 2013.

At June 30, 2011, \$258.2 million remains unexpended from current and prior year capital appropriations and general revenue bond proceeds, of which \$62.4 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.

Debt

At June 30, 2011, total debt outstanding was \$114.5 million, comprised of \$95.4 million in general revenue bonds, \$17.3 million in a note payable, and \$1.8 million in bank financing contracts. There were no new debt issuances in fiscal year 2011. In fiscal year 2010, the university issued general revenue refunding bonds Series P totaling \$14.0 million to refund and redeem the outstanding maturities of Series H and J general revenue bonds. The current refunding resulted in an economic gain of \$1.5 million and total debt service payments over the following 13 years will decrease by \$1.8 million.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

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 an Aa2 Stable credit rating from Moody's Investors Service and AA- Stable rating from Standard and Poor's. These ratings were affirmed in September 2011.

The university has traditionally utilized tax exempt financings to provide for its capital needs or to facilitate systematic renewals. Working capital is available to provide interim cash flow financing for facilities intended to be funded with general revenue bond proceeds or other debt arrangements.

Capital Activities – Looking Ahead

State of Alaska capital appropriations for fiscal year 2012 total \$79.5 million. The appropriations include \$37.5 million designated for deferred maintenance needs across the university system. This funding is the second installment of a five year deferred maintenance program instituted by the Governor. Also included are \$34 million for a 5,600 seat sports arena at the Anchorage campus, which represents the remaining funds needed for this approximately \$109 million project.

On October 5, 2011 the university sold competitively general revenue bonds with a par amount of \$48.9 million. The bonds fund a portion of the Fairbanks campus Life Sciences Facility, numerous deferred maintenance projects and a food service project on the Juneau campus. Bond closing is scheduled for October 25, 2011.

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.

During the December 2010 meeting the Board of Regents approved a tuition increase beginning in the Fall of 2012. Undergraduate courses for the 100 to 200 levels will increase seven percent and 300 to 400 levels will increase three percent.



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, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 as of June 30, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011 on our consideration of the University of Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis, on pages 1 through 10 is not a required part of the basic financial statements but is 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

October 19, 2011

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Net Assets
June 30, 2011 and 2010
(in thousands)

Assets	2011	2010
Current assets:		
Cash and cash equivalents	\$ 27,719	\$ 99,390
Short-term investments	57,973	6,129
Accounts receivable, less allowance of \$3,863 in 2011 and \$7,614 in 2010	73,739	70,369
Inventories	6,875	7,963
Other assets	678	691
Total current assets	166,984	184,542
Noncurrent assets:		
Restricted cash and cash equivalents	3,289	1,531
Notes receivable	3,219	4,189
Endowment investments	127,380	116,373
Land Grant Trust property and other assets	45,254	44,532
Long-term investments	47,582	7,652
Education Trust of Alaska investments	11,857	9,339
Capital assets, net of accumulated depreciation of \$807,411 in 2011 and \$760,343 in 2010	952,898	863,314
Total noncurrent assets	1,191,479	1,046,930
Total assets	1,358,463	1,231,472
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	34,003	24,904
Accrued payroll	29,430	28,346
Unearned revenue and deposits	17,822	18,886
Accrued annual leave	11,876	11,752
Unearned lease revenue - current portion	1,281	1,281
Long-term debt - current portion	6,958	6,763
Insurance and risk management	13,842	22,763
Total current liabilities	115,212	114,695
Noncurrent liabilities:		
Unearned revenue - capital	5,678	2,875
Unearned lease revenue	2,242	3,523
Long-term debt	107,579	114,537
Security deposits and other liabilities	5,131	5,980
Total noncurrent liabilities	120,630	126,915
Total liabilities	235,842	241,610
Net Assets		
Invested in capital assets, net of related debt	835,564	738,206
Restricted:		
Expendable	30,825	16,614
Nonexpendable	129,317	128,341
Unrestricted (see Note 7)	126,915	106,701
Total net assets	\$ 1,122,621	\$ 989,862

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

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UNIVERSITY OF ALASKA FOUNDATION
(A Component Unit of the University of Alaska)
Statements of Financial Position
June 30, 2011 and 2010
(in thousands)

Assets	2011	2010
Cash and cash equivalents	\$ 21,608	\$ 38,116
Interest receivable	137	78
Contributions receivable	14,166	14,251
Escrows receivable	296	134
Inventory	57	58
Other assets	486	507
Pooled endowment funds	131,853	102,012
Other long-term investments	24,459	16,869
Total assets	\$ 193,062	\$ 172,025
Liabilities		
Due to the University of Alaska	\$ 1,775	\$ 1,718
Other liabilities	5	22
Remainder trust obligations	283	411
Term endowment liability	1,000	1,000
Total liabilities	3,063	3,151
Net Assets		
Unrestricted	23,424	33,832
Temporarily restricted	79,551	62,732
Permanently restricted	87,024	72,310
Total net assets	189,999	168,874
Total liabilities and net assets	\$ 193,062	\$ 172,025

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

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UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2011 and 2010
(in thousands)

	2011	2010
Operating revenues		
Student tuition and fees	\$ 130,542	\$ 119,846
less scholarship allowances	(14,438)	(13,506)
	116,104	106,340
Federal grants and contracts	147,869	138,591
State and local grants and contracts	20,140	24,519
Private grants and contracts	47,276	45,728
Sales and services, educational departments	4,215	4,073
Sales and services, auxiliary enterprises, net of scholarship allowances of \$2,005 in 2011 and \$2,018 in 2010	39,265	39,225
Other	22,696	14,457
Total operating revenues	397,565	372,933
Operating expenses		
Instruction	210,653	207,864
Academic support	61,453	58,454
Research	140,453	135,045
Public service	37,547	40,861
Student services	52,174	50,814
Operations and maintenance	62,772	59,821
Institutional support	86,950	87,859
Student aid	27,280	20,965
Auxiliary enterprises	37,947	40,401
Depreciation	57,170	58,228
State on-behalf payments - pension	21,839	17,975
Total operating expenses	796,238	778,287
Operating loss	(398,673)	(405,354)
Nonoperating revenues (expenses)		
State appropriations	346,644	334,826
State on-behalf contributions - pension	21,839	17,975
Investment earnings	3,971	3,810
Endowment proceeds and investment income	22,777	12,953
Interest on debt	(4,400)	(4,852)
Federal student financial aid	24,692	18,275
Other nonoperating expenses	(1,870)	(1,905)
Net nonoperating revenues	413,653	381,082
Income (Loss) before other revenues	14,980	(24,272)
Capital appropriations, grants and contracts	117,779	61,951
Increase in net assets	132,759	37,679
Net assets		
Net assets - beginning of year	989,862	952,183
Net assets - end of year	\$ 1,122,621	\$ 989,862

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, 2011 and 2010
(in thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011</u>
Revenues, gains (losses) and other support				
Contributions	\$ 458	\$ 10,320	\$ 5,024	\$ 15,802
Investment income	645	1,758	-	2,403
Net realized and unrealized investment gains	2,277	15,105	-	17,382
Other revenues	-	159	-	159
Actuarial adjustment of remainder trust obligations	-	49	249	298
Losses on disposition of other assets	(1)	(43)	-	(44)
Administrative assessments	1,718	(1,060)	(62)	596
Support from University of Alaska	890	-	-	890
Net assets released from restriction	11,532	(11,532)	-	-
Total revenues, gains (losses) and other support	<u>17,519</u>	<u>14,756</u>	<u>5,211</u>	<u>37,486</u>
Expenses and distributions				
Operating expenses	2,632	-	-	2,632
Distributions for the benefit of the University of Alaska	13,729	-	-	13,729
Total expenses and distributions	<u>16,361</u>	<u>-</u>	<u>-</u>	<u>16,361</u>
Excess of revenues over expenses	<u>1,158</u>	<u>14,756</u>	<u>5,211</u>	<u>21,125</u>
Transfers between net asset classes	(11,566)	2,063	9,503	-
Increase (decrease) in net assets	(10,408)	16,819	14,714	21,125
Net assets, beginning of year	33,832	62,732	72,310	168,874
Net assets, end of year	<u>\$ 23,424</u>	<u>\$ 79,551</u>	<u>\$ 87,024</u>	<u>\$ 189,999</u>

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010</u>
\$ 256	\$ 12,961	\$ 2,725	\$ 15,942
719	1,236	-	1,955
4,159	3,015	-	7,174
-	169	-	169
-	(28)	(71)	(99)
(3)	(115)	-	(118)
1,473	(888)	(43)	542
890	-	-	890
<u>10,963</u>	<u>(10,963)</u>	<u>-</u>	<u>-</u>
<u>18,457</u>	<u>5,387</u>	<u>2,611</u>	<u>26,455</u>
2,568	-	-	2,568
<u>13,290</u>	<u>-</u>	<u>-</u>	<u>13,290</u>
<u>15,858</u>	<u>-</u>	<u>-</u>	<u>15,858</u>
<u>2,599</u>	<u>5,387</u>	<u>2,611</u>	<u>10,597</u>
<u>-</u>	<u>(10,004)</u>	<u>10,004</u>	<u>-</u>
2,599	(4,617)	12,615	10,597
<u>31,233</u>	<u>67,349</u>	<u>59,695</u>	<u>158,277</u>
<u>\$ 33,832</u>	<u>\$ 62,732</u>	<u>\$ 72,310</u>	<u>\$ 168,874</u>

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010
(in thousands)

	2011	2010
Cash flows from operating activities		
Student tuition and fees, net	\$ 115,931	\$ 105,326
Grants and contracts	217,774	210,862
Sales and services, educational departments	4,216	4,073
Sales and services, auxiliary enterprises	39,471	39,435
Other operating receipts	12,551	13,176
Payments to employees for salaries and benefits	(487,980)	(471,657)
Payments to suppliers	(195,106)	(204,028)
Payments to students for financial aid	(27,334)	(20,993)
Net cash used by operating activities	(320,477)	(323,806)
Cash flows from noncapital financing activities		
State appropriations	346,898	334,672
Other revenue	23,453	17,303
Direct lending receipts	80,378	69,391
Direct lending payments	(80,359)	(69,893)
Net cash provided by noncapital financing activities	370,370	351,473
Cash flows from capital and related financing activities		
Capital appropriations, grants and contracts	114,719	49,392
Proceeds from issuance of capital debt	-	14,045
Redemption of general revenue bonds	-	(14,535)
Purchases of capital assets	(143,199)	(82,471)
Principal paid on capital debt	(6,763)	(6,473)
Interest paid on capital debt	(4,572)	(4,192)
Net cash used by capital and related financing activities	(39,815)	(44,234)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	51,740	267,202
Purchases of investments	(136,020)	(243,059)
Interest received on investments	2,605	1,843
Interest and other sales receipts from endowment assets	1,684	4,683
Net cash provided (used) by investing activities	(79,991)	30,669
Net increase (decrease) in cash and cash equivalents	(69,913)	14,102
Cash and cash equivalents, beginning of the year	100,921	86,819
Cash and cash equivalents, end of the year	\$ 31,008	\$ 100,921
Cash and cash equivalents (current)	\$ 27,719	\$ 99,390
Restricted cash and cash equivalents (noncurrent)	3,289	1,531
Total cash and cash equivalents	\$ 31,008	\$ 100,921

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010
(in thousands)

Reconciliation of operating loss to net cash used by operating activities:

	2011	2010
Operating loss	\$ (398,673)	\$ (405,354)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	57,170	58,228
State on-behalf payments - pension	21,839	17,975
Changes in assets and liabilities:		
Accounts receivable, net	4,549	(398)
Other assets	137	(32)
Inventories	1,088	(743)
Accounts payable and accrued expenses	3,527	(233)
Accrued payroll	1,084	3,380
Unearned revenue, deposits from students and others	(1,122)	1,591
Accrued annual leave	125	432
Unearned lease revenue - current portion	(1,281)	(1,281)
Insurance and risk management	(8,920)	2,629
Net cash used by operating activities	\$ (320,477)	\$ (323,806)

Noncash Investing, Capital and Financing Activities:

For the Year Ended June 30, 2011

Additions to capital assets include \$9.8 million expended and capitalized but not paid for at year end.

Book value of capital asset disposals totaled \$1.5 million.

The university received \$1.0 million in donated land and equipment.

The university received on-behalf pension payments from the State of Alaska totaling \$21.8 million.

For the Year Ended June 30, 2010

Additions to capital assets include \$7.1 million expended and capitalized but not paid for at year end.

The university financed the purchase of equipment totaling \$0.2 million.

Book value of capital asset disposals totaled \$0.5 million.

The university received on-behalf pension payments from the State of Alaska totaling \$18.0 million.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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*, require 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.

NOTES TO FINANCIAL STATEMENTS

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, 2011. 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. Investments also include securities with contractual cash flows such as asset-backed securities, collateralized mortgage obligations and commercial mortgage-backed securities. The value, liquidity and related income of these securities are sensitive to economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. 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.

NOTES TO FINANCIAL STATEMENTS

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 fund. 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. The land grant endowment trust fund balance at the end of 2011 and 2010 was \$115.1 million and \$100.0 million, respectively. The accumulated net earnings were \$16.5 million and \$3.0 million at June 30, 2011 and 2010, respectively. The inflation proofing fund, a quasi-endowment fund included in unrestricted net assets, totaled \$19.8 million and \$20.0 million at the end of 2011 and 2010, respectively.

Alaska Statute 14.40.400 provides the Board of Regents with authority to manage the funds under the total return principles which intends to preserve and maintain the purchasing power of the endowment principal. The investable resources of the funds are invested in the consolidated endowment fund, a unitized investment fund. The annual spending allowance is currently based on four and one-half 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 balance of the preceding December 31.

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.

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statement of revenues, expenses and changes in net assets. Scholarship 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.

NOTES TO FINANCIAL STATEMENTS

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 tuition and fees, donations, sales, rentals, facilities and administrative cost recovery, interest income, auxiliary and restricted revenues. The unexpended balances of capital appropriations generally lapse after five years or upon determination that the funds are no longer necessary for the project.

Reclassifications

Certain amounts in the June 30, 2010 financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2011 financial statements.

2. Deposits and Investments:

Deposits and investments at June 30, 2011 were as follows (\$ in thousands):

<u>Investment Type</u>	<u>Operating</u>	<u>Capital Funds</u>	<u>Endowment</u>	<u>College Savings Program</u>	<u>Total</u>
Cash and Deposits	\$ 7,323	\$ -	\$ 6,520	\$ -	\$ 13,843
Certificates of Deposit	3,770	-	-	-	3,770
Repurchase Agreement	22,199	-	-	-	22,199
Hedge Funds	-	-	8,910	-	8,910
Money Market Mutual Funds	12,168	12,351	1,958	553	27,030
Equities:					
Domestic	-	-	27,795	4,795	32,590
Global	-	-	30,713	-	30,713
Emerging Markets	-	-	6,457	-	6,457
Debt-related:					
Corporate	52,958	-	-	-	52,958
Federal Agency	21,306	435	-	-	21,741
U. S. Treasuries	4,053	-	8,859	-	12,912
Fixed Income Funds	-	-	16,402	6,509	22,911
Alternative Investments:					
Private Equity – Domestic	-	-	6,714	-	6,714
Private Equity – Int'l	-	-	2,096	-	2,096
Commodities	-	-	943	-	943
Natural Resources	-	-	3,425	-	3,425
Venture Capital	-	-	2,404	-	2,404
Mezzanine	-	-	934	-	934
Real Estate	-	-	1,546	-	1,546
Other	-	-	1,704	-	1,704
	<u>\$ 123,777</u>	<u>\$ 12,786</u>	<u>\$ 127,380</u>	<u>\$ 11,857</u>	<u>\$ 275,800</u>

NOTES TO FINANCIAL STATEMENTS

Deposits and investments at June 30, 2010 were as follows (\$ in thousands):

<u>Investment Type</u>	<u>Operating</u>	<u>Capital Funds</u>	<u>Endowment</u>	<u>College Savings Program</u>	<u>Total</u>
Cash and Deposits	\$ (735)	\$ -	\$ 11,757	\$ -	\$11,022
Certificates of Deposit	5,025	-	-	-	5,025
Repurchase Agreement	22,951	-	-	-	22,951
Multi-Strategy Bond Fund	-	-	5,708	-	5,708
Hedge Funds	851	-	9,582	-	10,433
Money Market Mutual Funds	80,859	5,297	2,168	145	88,469
Equities:					
Domestic	-	-	25,573	3,579	29,152
International	-	-	2,512	-	2,512
Global	-	-	17,855	-	17,855
Emerging Markets	-	-	4,776	-	4,776
Debt-related:					
Federal Agency	-	454	-	-	454
Fixed Income Funds	-	-	17,497	5,615	23,112
Alternative Investments:					
Private Equity - Domestic	-	-	7,104	-	7,104
Private Equity – Int'l	-	-	1,668	-	1,668
Commodities	-	-	775	-	775
Natural Resources	-	-	3,082	-	3,082
Venture Capital	-	-	1,683	-	1,683
Mezzanine	-	-	1,441	-	1,441
Real Estate	-	-	1,435	-	1,435
Other	-	-	1,757	-	1,757
	<u>\$ 108,951</u>	<u>\$ 5,751</u>	<u>\$116,373</u>	<u>\$ 9,339</u>	<u>\$ 240,414</u>

Operating funds consist of cash on hand, time deposits, an overnight repurchase agreement, money market funds and bonds. 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. During fiscal year 2011, the university implemented operating fund investment guidelines, which sets forth the objectives, structure and acceptable investments for the university's operating funds.

In fiscal year 2011, the university restructured its operating funds by investing in high quality bonds, including U.S. treasuries, federal agency bonds and corporate bonds. These investments are held under the name of the university. After the restructure, the bonds comprise the largest portion of operating funds. The majority of the money market mutual funds are invested through the Commonfund, a not-for-profit provider of pooled multi-manager investment vehicles for colleges and universities. Since fiscal year 2010, the university also used the Certificate of Deposit Account Registry Service (CDARS) to

NOTES TO FINANCIAL STATEMENTS

invest monies into certificates of deposit across many different banking institutions to keep deposits under the Federal Deposit Insurance Corporation insurance limits.

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 reserves totaling \$4.7 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 \$125.4 million in investable resources of the university's land grant endowment trust fund and are invested in a consolidated endowment fund managed by the foundation. These resources are combined with the foundation's pooled endowment funds for investment purposes, and 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, 2011 had an estimated fair value of approximately \$4.0 million.

At June 30, 2011, the university has approximately \$25.2 million in investments that are not readily marketable. These investments are invested in the consolidated endowment fund managed by the foundation. 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, dependency 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 investment 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 operating fund investment guidelines require that at the time of purchase, short term instruments must be rated A1 or better by Standard & Poor's (S & P), and P1 or better by Moody's. Long term instruments must be rated BBB- or better by S & P and Baa3 or better by Moody's. The average credit rating of any separately management account portfolio shall be no lower than A by S & P and A2 by Moody's. 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.

NOTES TO FINANCIAL STATEMENTS

At June 30, 2011, investments consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (\$ in thousands):

<u>Investment Type</u>	<u>Rating</u>	<u>Operating</u>	<u>Capital Funds</u>	<u>Endowment</u>	<u>College Savings Program</u>
Money Market Mutual Fund	Aaa	\$ 12,168	\$12,351	\$ 1,958	\$ -
Money Market Mutual Fund	Not Rated	-	-	-	553
Hedge Funds	Not Rated	-	-	8,910	-
Debt Related:					
Federal Agency	Aaa	16,306	435	-	-
Federal Agency	P-1	5,000	-	-	-
Fixed Income Funds	Aa2	-	-	16,402	-
Fixed Income Funds	Not Rated	-	-	-	6,509
Corporate	Aaa	28,812	-	-	-
Corporate	Aa1	4,763	-	-	-
Corporate	Aa2	4,297	-	-	-
Corporate	Aa3	4,355	-	-	-
Corporate	A1	3,979	-	-	-
Corporate	A2	2,649	-	-	-
Corporate	A3	4,103	-	-	-

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 five percent or more of that investment type. At June 30, 2011, the university did not have any material concentrations of credit risk.

The operating fund investment guidelines limits the aggregate fair value of the portfolio that may be invested in any combination of instruments from one issuer to four percent and callable bonds are limited to fifteen percent of the total portfolio value, with exceptions for federally backed securities.

The consolidated endowment fund investment policy limits debt investments to five 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.

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

NOTES TO FINANCIAL STATEMENTS

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, 2011, 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 a third party bank. The collateral is held in the name of the university and at June 30, 2011, provided \$2.3 million coverage in excess of deposits.

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 one percent, the value of the security would decrease two percent. The university does not have a policy regarding interest rate risk. At June 30, 2011, the university had the following debt investments and corresponding modified duration (\$ in thousands):

<u>Investment Type</u>	Fair Value					<u>Modified Duration</u>
	<u>Operating</u>	<u>Capital Funds</u>	<u>Endowment</u>	<u>College Savings Program</u>		
Federal Agency	\$ 21,306	-	-	-	-	0.54
Federal Agency	-	\$ 435	-	-	-	0.84
Corporate	\$ 52,958	-	-	-	-	1.23
U.S. Treasuries	\$ 4,053	-	-	-	-	2.89
U.S. Treasuries	-	-	\$ 8,859	-	-	3.97
Fixed Income Fund	-	-	-	\$ 6,509	-	5.08
Fixed Income Fund	-	-	\$ 16,402	-	-	5.17

Hedge funds totaling \$8.9 million are exposed to interest rate risk, however, underlying fund data is not available to measure the interest rate risk.

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, 2011, the university did not have any foreign currency risk.

NOTES TO FINANCIAL STATEMENTS

3. Accounts Receivable:

Accounts receivable consisted of the following at June 30, 2011 and 2010 (\$ in thousands):

June 30, 2011	Gross	Allowance	Net
Student tuition and fees	\$ 15,011	\$ (2,592)	\$ 12,419
Sponsored programs	46,363	(1,160)	45,203
Auxiliary services and other operating activities	511	(111)	400
Capital appropriations, grants and contracts	15,717	-	15,717
	<u>\$ 77,602</u>	<u>\$ (3,863)</u>	<u>\$ 73,739</u>

June 30, 2010	Gross	Allowance	Net
Student tuition and fees	\$ 16,041	\$ (6,301)	\$ 9,740
Sponsored programs	51,549	(1,203)	50,346
Auxiliary services and other operating activities	414	(110)	304
Capital appropriations, grants and contracts	9,979	-	9,979
	<u>\$ 77,983</u>	<u>\$ (7,614)</u>	<u>\$ 70,369</u>

4. Education Trust of Alaska:

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 \$4.3 billion and \$3.4 billion at June 30, 2011 and 2010, 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 \$4.5 million and \$5.3 million at June 30, 2011 and 2010, respectively.

5. Land Grant Trust Property and Other Assets:

Land Grant Trust property 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 land sales and other rights are deposited in the

NOTES TO FINANCIAL STATEMENTS

land grant endowment trust fund as described in the Endowment section in Note 1 above. At June 30, 2011 and 2010, approximately 82,411 and 82,423 acres, respectively, were held in trust at zero basis because fair value at the time of transfer was not determinable.

6. Capital Assets:

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

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Capital assets not depreciated:				
Land	\$ 28,490	\$ 9,491	\$ -	\$ 37,981
Construction in progress	59,176	133,337	45,519	146,994
Library and museum collections	57,964	1,182	-	59,146
Other capital assets:				-
Buildings	1,196,399	32,416	70	1,228,745
Infrastructure	61,191	1,760	-	62,951
Equipment	171,028	14,417	10,234	175,211
Leasehold improvements	26,632	-	1,723	24,909
Other improvements	22,777	1,595	-	24,372
Total	<u>1,623,657</u>	<u>194,198</u>	<u>57,546</u>	<u>1,760,309</u>
Less accumulated depreciation:				
Buildings	574,633	40,931	47	615,517
Infrastructure	32,044	1,918	-	33,962
Equipment	125,912	12,517	8,776	129,653
Leasehold improvements	9,916	1,127	1,279	9,764
Other improvements	17,838	677	-	18,515
Total accumulated depreciation	<u>760,343</u>	<u>57,170</u>	<u>10,102</u>	<u>807,411</u>
Capital assets, net	<u>\$ 863,314</u>	<u>\$ 137,028</u>	<u>\$ 47,444</u>	<u>\$ 952,898</u>

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
Capital assets not depreciated:				
Land	\$ 28,490	\$ -	\$ -	28,490
Construction in progress	120,822	73,112	134,758	59,176
Library and museum collections	57,094	870	-	57,964
Other capital assets:				-
Buildings	1,065,605	130,794	-	1,196,399
Infrastructure	57,574	3,660	43	61,191
Equipment	171,075	14,144	14,191	171,028
Leasehold improvements	26,632	-	-	26,632
Other improvements	22,473	304	-	22,777
Total	<u>1,549,765</u>	<u>222,884</u>	<u>148,992</u>	<u>1,623,657</u>
Less accumulated depreciation:				
Buildings	533,018	41,616	-	574,634
Infrastructure	30,214	1,832	1	32,045
Equipment	126,850	12,721	13,661	125,910
Leasehold improvements	8,499	1,416	-	9,915
Other improvements	17,195	644	-	17,839
Total accumulated depreciation	<u>715,776</u>	<u>58,229</u>	<u>13,662</u>	<u>760,343</u>
Capital assets, net	<u>\$ 833,989</u>	<u>\$ 164,655</u>	<u>\$ 135,330</u>	<u>\$ 863,314</u>

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7. Unrestricted Net Assets:

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

	2011	2010
Designated:		
Auxiliaries	\$ 11,472	\$ 6,505
Working capital fund	4,827	4,826
Working capital advances	(252)	(2,611)
Service centers	17,399	12,894
Debt service funds	4,034	1,574
Quasi-endowment funds	28,600	28,449
Renewal and replacement funds	12,141	8,989
Employee benefit funds	1,415	(13)
Endowment earnings	12,769	12,302
Encumbrances	14,615	10,423
Total designated	107,020	83,338
Undesignated	19,895	23,363
Total unrestricted net assets	\$ 126,915	\$ 106,701

Unrestricted net assets include non-lapsing university receipts of \$51.9 million at June 30, 2011. Non-lapsing university receipts of \$46.7 million from 2010 were fully expended in 2011. At June 30, 2011 and 2010, \$63.4 million and \$53.2 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, 2011 were as follows (\$ in thousands):

Year ended June 30,	Principal	Interest	Total
2012	\$ 6,958	\$ 4,359	\$ 11,317
2013	7,175	4,134	11,309
2014	6,821	3,903	10,724
2015	6,657	3,679	10,336
2016	6,974	3,435	10,409
2017-2021	34,221	13,149	47,370
2022-2026	27,941	6,664	34,605
2027-2031	14,075	2,053	16,128
2032-2036	3,715	311	4,026
	\$ 114,537	\$ 41,687	\$ 156,224

NOTES TO FINANCIAL STATEMENTS

Long-term debt consisted of the following at June 30, 2011 and 2010 (\$ in thousands):

	2011	2010
<p>Revenue bonds payable 1.40% to 5.00% 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.</p>	\$ 95,445	\$ 100,490
<p>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.</p>	17,290	18,458
<p>Equipment financings 4.06% to 4.77% note for the purchase of equipment and vehicles due in quarterly installments through June 2017.</p>	1,802	2,352
	\$ 114,537	\$ 121,300

In fiscal year 2011, the state reimbursed the university \$1,409,822 for debt service on Series K general revenue bonds. Subject to annual appropriation, the state will reimburse the university for principal and interest on \$16,375,000 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, 2011 and 2010 was \$4.7 million.

On October 5, 2011 the university sold competitively general revenue bonds with a par amount of \$48,870,000 and a 20 year term. The bonds fund a portion of the Fairbanks campus Life Sciences Facility, numerous deferred maintenance projects and a food service project on the Juneau campus. Bond closing is scheduled for October 25, 2011.

9. Unearned Lease Revenue:

In fiscal year 1997, the university entered into an agreement to construct a facility and establish the International Arctic Research Center (IARC), subsequently renamed Akasofu Building. 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 Akasofu Building in fiscal year 1999. The unearned lease revenue at June 30, 2011 is \$3,522,750 and is reduced at the rate of \$1,281,000 per year with a corresponding increase to other operating revenue.

NOTES TO FINANCIAL STATEMENTS

10. Long-term Liabilities:

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

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Balance due within one year
Unearned revenue - capital	\$ 2,875	\$ 4,284	\$ 1,481	\$ 5,678	\$ -
Unearned lease revenue	4,804	-	1,281	3,523	1,281
Long-term debt	121,300	-	6,763	114,537	6,958
Security deposits and other liabilities	5,980	1	850	5,131	-
	<u>\$ 134,959</u>	<u>\$ 4,285</u>	<u>\$ 10,375</u>	<u>\$ 128,869</u>	<u>\$ 8,239</u>

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Balance due within one year
Unearned revenue - capital	\$ 10,519	\$ 812	\$ 8,456	\$ 2,875	\$ -
Unearned lease revenue	6,085	-	1,281	4,804	1,281
Long-term debt	128,013	14,295	21,008	121,300	6,763
Security deposits and other liabilities	5,846	140	6	5,980	-
	<u>\$ 150,463</u>	<u>\$ 15,247</u>	<u>\$ 30,751</u>	<u>\$ 134,959</u>	<u>\$ 8,044</u>

11. Capital Appropriations and Construction Commitments:

Major construction projects of the university are funded primarily by State of Alaska appropriations and general obligation bonds, university revenue bonds and federal grants. 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, 2011, totaled \$257.9 million. In addition, unexpended proceeds of university-issued general revenue bonds designated for construction projects totaled \$0.3 million at June 30, 2011.

Construction commitments at June 30, 2011 aggregated \$62.4 million. At June 30, 2011, the university had received \$6.9 million from State of Alaska capital appropriations and other sources in advance of expenditures.

As of June 30, 2011 the university has spent \$44.9 million, part of construction in progress, on building a ship named "Sikuliaq". The vessel will be owned by the National Science Foundation, the agency funding the construction, and operated by the University of Alaska Fairbanks, as part of the U.S. academic research fleet. It will be used by scientists in the United States and international oceanographic community through the University-National Oceanographic Laboratory System. The Sikuliaq is anticipated to be ready for unrestricted science operations in 2014 and will be home ported in Alaska at the Seward Marine Center.

NOTES TO FINANCIAL STATEMENTS

12. Pension Plans:

Participation in one of the various pension plans generally depends on when an employee was originally hired. 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 – Defined Benefit (PERS-DB), a cost-sharing, multiple-employer public employee retirement plan,
- The State of Alaska Teachers' Retirement System – Defined Benefit (TRS-DB), a cost-sharing, multiple-employer public employee retirement plan,
- The University of Alaska Optional Retirement Plan (ORP) Tier 1 or Tier 2, 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. Employees hired on or after July 1, 2006 have a choice to participate in the University of Alaska Retirement Program or the applicable state defined contribution plan. The University of Alaska Retirement Program consists of ORP (Tier 3) and the University of Alaska Pension Plan. The state's defined contribution plans are the Public Employees' Retirement System – Defined Contribution (PERS-DC) or the Teachers' Retirement System-Defined Contribution (TRS-DC).

Each of the plans noted above are described in more detail in the sections that follow. None of the retirement systems or plans own any notes, bonds or other instruments of the university.

State of Alaska Public Employees' Retirement System - Defined Benefit (PERS-DB)

Plan Description

PERS is a defined benefit, cost-sharing, multiple-employer public employee retirement plan established and administered by the State of Alaska. The plan was originally established as an agent multiple-employer plan, but was converted by legislation to a cost-sharing plan, effective July 1, 2008.

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. Effective July 1, 2006, the state legislature closed PERS-DB to new members and created a Public Employees' Retirement System Defined Contribution Retirement Plan (PERS-DC), disclosed later in this note.

Each fiscal year, PERS-DB 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 6.75 percent (7.5 percent for peace officers and firefighters). The funding policy for PERS-DB provides for periodic employer contributions at actuarially determined

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rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due. The 2011 actuarially determined rate was 27.96 percent of applicable gross pay. However, the employer contribution rate for the university was capped by the state at 22 percent for fiscal year 2011.

The state appropriated funding directly to the PERS-DB plan as a relief payment to employers' contributions for fiscal year 2011. The university recognized \$10,456,189, \$7,126,913, and \$16,724,174 for fiscal 2011, 2010 and 2009 respectively, in state on-behalf pension payments for the PERS-DB plan. The amounts contributed to PERS-DB by the university during the years ended June 30, 2011, 2010 and 2009 were \$26,390,066, \$27,074,153, and \$27,269,589, respectively, equal to the required employer contributions for each year.

PERS Defined Benefit Pension Plan Changes

The Alaska legislature converted PERS-DB from an agent multiple-employer plan to a cost-sharing plan effective July 1, 2008. This change provided for an integrated system of accounting for all employers. Under the integrated system, the PERS-DB plans' unfunded liability will be shared among all employers with each contributing 22 percent of their covered payroll.

State of Alaska Teachers' Retirement System - Defined Benefit (TRS-DB)

Plan Description

TRS-DB is a defined benefit, cost-sharing, multiple employer public employee retirement plan established and administered by the State of Alaska. TRS-DB 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. Effective July 1, 2006, the state legislature closed TRS-DB to new members and created a Teachers' Retirement System Defined Contribution Retirement Plan (TRS-DC), disclosed later in this note.

Each fiscal year, TRS-DB 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

Employees contribute 8.65 percent of their base salary as required by state statute. The funding policy for TRS-DB provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due. During fiscal year 2011, contractually required employee and employer contribution rates were 8.65 percent and 12.56 percent, respectively. The amounts contributed to TRS-DB by the university during the years ended June 30, 2011, 2010 and 2009 were \$5,243,968, \$5,454,265, and \$5,485,631, respectively, equal to the required employer contributions for each year.

The actuarially determined employer contribution rate for 2011 was 38.56 percent. The state appropriated funding directly to the TRS-DB plan to augment employer contributions for 2011. For

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fiscal year 2011, 2010 and 2009, the university recognized \$11,382,779, \$10,848,081, and \$13,778,074, respectively, in state on-behalf pension payments for the TRS-DB plan.

Defined Contribution Plans:

State of Alaska Public Employees' Retirement System - Defined Contribution (PERS-DC)

Plan Description

PERS-DC is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established and administered by the State of Alaska to provide pension and postemployment healthcare benefits for eligible employees. Benefit and contribution provisions are established by state law and may be amended only by the state legislature. PERS-DC was created by the state effective July 1, 2006. Plan savings are accumulated in individual retirement accounts for the exclusive benefit of each member or beneficiary.

Funding Policy and Annual Pension Cost

The employee contribution rate is eight percent and the employer effective contribution rate is 22 percent of covered payroll for fiscal years 2011 and 2010. For the years ended June 30, 2011 and 2010, the university's total covered payroll for the PERS-DC plan was approximately \$7.0 million and \$6.1 million, and contributions made by the university totaled \$1,548,744 and \$1,346,145, respectively.

On July 1, 2006, three pension trust sub-funds were created within PERS, the Retiree Major Medical Insurance (RMP), Health Reimbursement Arrangement (HRA), and Occupation Death and Disability (OD&D). RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. PERS-DC participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rates for fiscal year 2011 and 2010 are 0.55 and 0.83 percent for medical coverage and 0.31 and 0.30 percent (1.18 percent for peace officers and firefighters) for occupational death and disability benefit contributions. For fiscal years 2011 and 2010, the HRA employer contributions are \$143.39 and \$141.64 per month for full time employees and \$1.10 and \$1.09 per hour for part time employees, respectively.

Each fiscal year, PERS-DC 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.

State of Alaska Teachers' Retirement System - Defined Contribution (TRS-DC)

Plan Description

TRS-DC is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established and administered by the State of Alaska to provide pension and postemployment healthcare benefits for teachers and other eligible employees. Benefit and contribution provisions are established

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by state law and may be amended only by the state legislature. TRS-DC was created by the state effective July 1, 2006. Plan savings are accumulated in an individual retirement account for the exclusive benefit of members or beneficiaries.

Funding Policy and Annual Pension Cost

The employee contribution rate is eight percent and the effective employer contribution rate is 12.56 percent of covered payroll for fiscal years 2011 and 2010. For the years ended June 30, 2011 and 2010, the university's total covered payroll for the TRS-DC plan was approximately \$3.4 million and \$2.7 million, and contributions made by the university totaled \$429,910 and \$333,253, respectively.

On July 1, 2006, two pension trust sub-funds were created in TRS, the Retiree Major Medical Insurance (RMP) and Health Reimbursement Arrangement (HRA). The TRS Occupational Death and Disability (OD&D) trust sub-fund was created on July 1, 2007. RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. TRS-DC participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for fiscal year 2011 and 2010 for each member's compensation was 0.68 and 1.03 percent for medical coverage, and 0.28 and 0.32 percent for occupational death and disability benefit contributions. For fiscal years 2011 and 2010, the HRA employer contributions are \$143.39 and \$141.64 per month for full time employees and \$1.10 and \$1.09 per hour for part time employees, respectively.

Each fiscal year, TRS-DC 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.

University of Alaska Optional Retirement Plan (ORP)

Plan Description

The ORP is an employer funded defined contribution plan which operates in conjunction with a companion mandatory tax-deferred annuity plan. 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-DB or TRS-DB. 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-DC or TRS-DC.

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Funding Policy and Annual Pension Cost

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-DB employer contribution rates (12.56 percent for 2011 and 2010).

In fiscal year 2011 and 2010, the university's total covered payroll for the ORP Tier 1 plan was approximately \$49.4 million and \$50.8 million, respectively. The amounts contributed to the ORP Tier 1 by the university during the years ended June 30, 2011, 2010 and 2009 were \$6,203,129, \$6,381,618, and \$8,462,414, 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 contributes 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 years 2011 and 2010.

In fiscal year 2011 and 2010, the university's total covered payroll for the ORP Tier 2 plan was approximately \$3.6 million and \$3.7 million, respectively. The amounts contributed to the ORP Tier 2 by the university during the years ended June 30, 2011, 2010 and 2009 were \$429,824, \$446,041, and \$541,237, respectively. The ORP Tier 2 plan was available for new 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. The ORP Tier 3 participants make employee contributions to one of the plan's annuity programs at a rate of eight percent of covered payroll. The university contributes to one of the plan's authorized employee-selected annuity providers or investment managers at a rate of 12 percent of covered payroll.

In fiscal years 2011 and 2010, the university's total covered payroll for the ORP Tier 3 plan was approximately \$73.8 million and \$62.0 million, respectively. The amounts contributed to the ORP Tier 3 by the university during the years ended June 30, 2011, 2010 and 2009 were \$8,850,715, \$7,436,012, and \$5,596,529, respectively.

Plan Assets

At June 30, 2011 and 2010, plan assets (participants' accounts attributable to employer contributions) for ORP Tier 1, Tier 2 and Tier 3 had a net value of approximately \$143.8 million and \$113.8 million, 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 three years of service.

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University of Alaska Pension Plan (Pension)

Plan Description

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 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.

Funding Policy and Annual Pension Cost

Effective January 1, 2011, employer contributions for regular employees were 7.65 percent of covered wages up to \$42,000 and \$106,800 in 2011 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 three years of service.

Plan Assets

In 2011 and 2010, the university's total covered payroll for the Pension plan was approximately \$176.2 million and \$174.8 million, respectively. The university's costs to fund and administer the plan totaled \$13.5 million, or 7.65 percent of covered payroll. At June 30, 2011 and 2010, plan assets (participants' accounts) had a net value of approximately \$317.2 million and \$275.6 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 \$2.0 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 using actuarial analysis 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.

Health, general liability and worker's compensation liabilities were reduced by \$2.8 million, \$6.1 million and \$3.2 million, respectively, in 2011 to bring the balances closer to actuarial estimates. The effect is shown in the provision for claims. The claims payment for general liability includes an internal repayment of a settlement totaling \$1.7 million.

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Changes in applicable liability amounts follow (\$ in thousands):

	Balance July 1, 2010	Provision for Claims	Claims Payments	Balance June 30, 2011
Health	\$ 8,975	\$ 64,113	\$ (66,926)	\$ 6,162
General liability	6,863	(3,216)	(718)	2,929.00
Workers' compensation	6,690	(1,052)	(1,139)	4,499.00
Unemployment	235	993	(976)	252.00
	<u>\$ 22,763</u>	<u>\$ 60,838</u>	<u>\$ (69,759)</u>	<u>\$ 13,842</u>

	Balance July 1, 2009	Provision for Claims	Claims Payments	Balance June 30, 2010
Health	\$ 8,392	\$ 60,333	\$ (59,750)	\$ 8,975
General liability	5,613	1,591	(341)	6,863
Workers' compensation	5,991	1,973	(1,274)	6,690
Unemployment	138	813	(716)	235
	<u>\$ 20,134</u>	<u>\$ 64,710</u>	<u>\$ (62,081)</u>	<u>\$ 22,763</u>

	Balance July 1, 2008	Provision for Claims	Claims Payments	Balance June 30, 2009
Health	\$ 7,798	\$ 56,365	\$ (55,771)	\$ 8,392
General liability	5,362	932	(681)	5,613
Workers' compensation	6,051	1,555	(1,615)	5,991
Unemployment	72	493	(427)	138
	<u>\$ 19,283</u>	<u>\$ 59,345</u>	<u>\$ (58,494)</u>	<u>\$ 20,134</u>

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 proceedings, or insufficient information exists to make an opinion.

NOTES TO FINANCIAL STATEMENTS

On June 5, 2009 a group of beneficiaries of the Optional Retirement Plan (ORP) filed a class-action lawsuit entitled Abel Bult-Ito et al., v. State of Alaska, University of Alaska, et al., Case No. 3AN-09-7875 CI, in the Superior Court for the State of Alaska, Third Judicial District at Anchorage, against the State of Alaska and the University.

The group of beneficiaries alleges, among other things, that State legislation passed in 2007 and 2008 unconstitutionally diminished contributions to the ORP. The case is currently set for trial the week of January 30, 2012. The likelihood of success on the merits of the case is unknown as is the financial impact on the university.

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 being assessed but the outcome is unknown.

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 2011 and 2010, the university transferred \$1.2 million and \$0.9 million for general support, respectively. For the same periods, the foundation reimbursed the university for operating expenses totaling \$2.6 million.

For the years ended June 30, 2011 and 2010, distributions and expenditures by the foundation for the benefit of the university totaled \$13.7 million and \$13.3 million, of which \$12.6 million and \$12.6 million were direct reimbursements to the university. Additionally, the foundation owed the university \$1.8 million at June 30, 2011 and \$1.7 million at June 30, 2010, primarily for reimbursement of expenditures on funding provided by 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, 2011 and 2010, the fair value of the fund was \$257.3 million and \$216.2 million, respectively. The university's share of this fund was \$125.4 million and \$114.2 million, respectively, 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.

NOTES TO FINANCIAL STATEMENTS

16. Functional Classifications with Natural Classifications:

The university's operating expenses by natural classification for 2011 and 2010 were as follows (\$ in thousands):

	Compensation & Benefits	Contractual Services	Materials	Other	Student Aid	Depreciation	Total
Instruction	\$ 172,558	\$ 26,078	\$ 11,079	\$ 938	\$ -	\$ -	\$ 210,653
Academic support	46,644	7,506	7,237	66	-	-	61,453
Research	94,177	36,540	9,279	457	-	-	140,453
Public service	24,666	10,607	1,911	363	-	-	37,547
Student services	37,579	11,420	3,086	89	-	-	52,174
Operations and maintenance	29,012	20,063	13,263	434	-	-	62,772
Institutional support	71,208	11,428	4,011	303	-	-	86,950
Student aid	-	-	-	-	27,280	-	27,280
Auxiliary enterprises	9,741	17,538	10,573	95	-	-	37,947
Depreciation	-	-	-	-	-	57,170	57,170
State on-behalf payments	-	-	-	21,839	-	-	21,839
	<u>\$ 485,585</u>	<u>\$ 141,180</u>	<u>\$ 60,439</u>	<u>\$ 24,584</u>	<u>\$ 27,280</u>	<u>\$ 57,170</u>	<u>\$ 796,238</u>

	Compensation & Benefits	Contractual Services	Materials	Other	Student Aid	Depreciation	Total
Instruction	\$ 169,993	\$ 25,774	\$ 11,166	\$ 931	\$ -	\$ -	\$ 207,864
Academic support	44,005	7,259	7,116	74	-	-	58,454
Research	91,774	32,597	10,379	295	-	-	135,045
Public service	26,451	11,708	2,353	349	-	-	40,861
Student services	36,969	10,763	3,031	51	-	-	50,814
Operations and maintenance	27,633	19,180	12,415	593	-	-	59,821
Institutional support	69,982	11,915	3,349	2,613	-	-	87,859
Student aid	-	-	-	-	20,965	-	20,965
Auxiliary enterprises	9,944	18,991	11,200	266	-	-	40,401
Depreciation	-	-	-	-	-	58,228	58,228
State on-behalf payments	-	-	-	17,975	-	-	17,975
	<u>\$ 476,751</u>	<u>\$ 138,187</u>	<u>\$ 61,009</u>	<u>\$ 23,147</u>	<u>\$ 20,965</u>	<u>\$ 58,228</u>	<u>\$ 778,287</u>

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THIS TRUST INDENTURE, dated as of June 1, 1992, by and between the University of Alaska (the "University"), a public corporation and governmental instrumentality of the State of Alaska, created and existing under Section 2 of Article VII of the Alaska Constitution, and Chapter 40 of Title 14 of the Alaska Statutes (the "Act"), and First Interstate Bank of Washington, N.A., a national banking association organized and existing and authorized to accept and execute trusts of the character herein set forth Under and by virtue of the laws of the United States of America, with its principal office in the City of Seattle, Washington (the "Trustee").

WITNESSETH THAT:

WHEREAS, the University is authorized under Chapter 40 of Title 14 of the Alaska Statutes to issue revenue bonds to pay the cost of acquiring, constructing, or equipping a facility that the Board of Regents of the University (the Boards) determines is necessary; and

WHEREAS, the Board has determined that it is necessary and in the best interest of the University to create an issue of revenue bonds of the University to be known and designated as University of Alaska General Revenue Bonds (the "Bonds") to provide funds for the purpose of paying the cost of acquiring, constructing, or equipping such facilities; and

WHEREAS, the Board has determined that it is necessary and in the best interest of the University that the Bonds be issued under the terms and conditions set forth in this Indenture; and

WHEREAS, the execution and delivery of this Indenture were authorized by a resolution of the Board duly adopted and approved; and

WHEREAS, the Trustee has agreed to accept the trusts herein created upon the terms herein set forth; and

WHEREAS, all things necessary to make the Bonds, when issued as provided in this Indenture, the valid, binding, and legal special obligations of the University according to the import thereof and to constitute this Indenture a valid assignment of the amounts pledged to the payment of the principal and premium, if any, of and interest on the Bonds have been done and performed, and the creation, execution, and delivery of this Indenture and the execution and issuance of the Bonds, subject to the terms hereof, in all respects have been duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal or Redemption Price of, and the interest on, d Bonds at any time issued and outstanding under this Indenture according to their tenor, and to

secure the performance and observance of all the covenants therein and herein set forth and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof and for other valuable consideration, the receipt whereof is hereby acknowledged, the University covenants and agrees with the Trustee, for the benefit of the respective owners from time to time of the Bonds as follows:

TO HAVE AND TO HOLD in trust, nevertheless, upon the terms and trusts herein set forth for the equal and ratable benefit, security, and protection of all present and future Owners (hereinafter defined) of the Bonds issued under and secured by this Indenture, without privilege, priority, or distinction as to lien or otherwise of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that if the principal and premium, if any, of the Bonds and the interest due or to become due thereon are paid at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof and the parties hereto shall well and truly keep, perform, and observe all of the covenants and conditions pursuant to the terms of this Indenture to be kept, performed, and observed by them and there shall be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then this Indenture and the rights hereby granted shall cease and terminate, otherwise this Indenture is to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated, and delivered, and all said property, rights, and interests, including, without limitation, the amounts hereby assigned, are to be dealt with and disposed of under, upon, and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes hereinafter expressed and that the University has agreed and covenanted, and hereby does agree and covenant, with the Trustee and with the Owners from time to time of the Bonds, or any part thereof, as follows:

ARTICLE I
DEFINITIONS AND INTERPRETATION

Section 101 - Definitions. The following terms shall, for all purposes of this Indenture, have the following meanings:

"**Act**" means Title 14, Chapter 40 of the Alaska Statutes (AS 14.40) as the same may be amended or supplemented from time to time.

"**Additional Bonds**" means any Bonds authenticated and delivered on original issuance pursuant to Section 206.

"**Aggregate Debt Service**" for any period means, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series.

"**AMBAC Indemnity**" means AMBAC Indemnity Corporation, a Wisconsin domiciled stock insurance company.

"**Authorized Officer**" means the President of the Board of Regents, Vice President of the Board of Regents, the President, Vice President for Finance, and Controller and Associate Vice President for Finance of the University, and any officer or employee of the University authorized to perform specific acts or duties by resolution duly adopted by the Board of Regents.

"**Board of Regents**" means the Board of Regents of the University.

"**Bonds**" or "**Bonds**" means any bond or bonds, note or notes, or evidence of indebtedness or evidences of indebtedness, as the case may be, authenticated and delivered under, and entitled to the benefit and security of, this Indenture.

"**Bond Counsel**" means a firm of attorneys nationally recognized as having expertise in the field of law relating to municipal, state and public agency financing, selected by the University and satisfactory to the Trustee.

"**Bond Year**" means with respect to any Series each period of 12 calendar months (or shorter period from the date of issue of the Series) ending on each June 30.

"**Business Day**" means any day other than a Saturday, Sunday or day upon which commercial banks in the State of Washington or the State of New York are permitted to remain closed or a day on which the New York Stock Exchange is closed.

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

"**Computation Date**" means an Installment Computation Date or the Final Computation Date.

"**Cost of Acquisition or Construction**" means, with respect to any Project, the University's cost of physical construction, costs of acquisition by or for the University of any Project, by paying or providing for payment of costs of retiring any bonds or other obligations of the University or any corporate entity created on behalf of the University

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secured by any project or by the lease of any project owned or occupied by the University, and costs of the University incidental to such construction or acquisition, the cost of any indemnity and surety bonds and premiums on insurance during construction, engineering expenses, legal fees and expenses, Costs of Issuance, audits, fees and expenses of the Trustee, amounts, if any, required by this Indenture or any Supplemental Indenture to be paid into the Debt Service Fund or Reserve Fund upon the issuance of any Series of Bonds, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the University (other than the Bonds) incurred for any Project, costs of machinery, equipment and supplies and initial working capital and reserves required by the University for the commencement of operation of any Project, and any other costs properly attributable to such construction or acquisition, and shall include reimbursement to the University for any such items of Cost of Acquisition or Construction theretofore paid by the University. Any Supplemental Indenture may provide for additional items to be included in the aforesaid Cost of Acquisition or Construction.

"Cost of issuance" means any items of expense directly or indirectly payable or reimbursable by the University and related to the authorization, sale and issuance of the Bonds, including but not limited to University administrative expenses; printing costs; costs of preparation and reproduction of documents; filing and recording fees; initial fees and charges (including legal fees and charges) of the Trustee and of any fiduciary; legal fees and charges; fees and disbursements of consultants and professionals; costs of credit ratings; fees and charges for preparation, execution, transportation and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the University (who may be counsel to the University); provided, however, that for the purposes of Article II hereof such term shall mean an opinion of Bond Counsel.

"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 for the purposes of holding and disbursing the proceeds of, or holding only, Credit Enhancement.

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available at the place of payment, and no interest accrues with respect to the Bonds of that Series after that date.

"Fund" or "Funds" means, as the case may be, each or all of the Funds established in Section 501.

"Indenture" means this Indenture as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms hereof.

"Installation Computation Date" means with respect to any Series the last day of the fifth and each succeeding Bond Year for that Series.

"Interest Account" means the Interest Account in the Debt Service Fund established in Section 501.

"Investment Securities" shall have the meaning set forth in any of the Supplemental Indentures authorizing a Series of Bonds, any of the Bonds of which are Outstanding at the time of reference, provided that if more than one Series of Bonds has Bonds Outstanding and the meanings in the Supplemental Indentures are different, Investment Securities shall mean only those investments appearing in both or all Supplemental Indentures (in the determination of the Trustee, which shall be conclusive).

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

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

(a) Bonds canceled by the Trustee at or prior to such date.

(b) Bonds (or portions of Bonds) for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under this Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice.

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 406 or Section 1106.

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"Debt Service" for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (a) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits in the Interest Account in the Debt Service Fund made from Bond proceeds and (b) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof. For purposes of this definition (x) interest and Principal Installments with respect to interest accruing on compound interest or zero coupon or like interest paying Bonds shall be deemed to accrue in the 12 months immediately prior to the final maturity of such Bonds; and (y) the University may determine that interest will accrue on variable rate Bonds at a rate equal to the actual rate during a prior period.

"Debt Service Fund" means the Debt Service Fund established in Section 501.

"Depository" means any bank or trust company organized under the laws of any state of the United States of America or any national banking association, selected by the University and approved in writing by the Trustee as a depository of moneys and securities held under the provisions of this Indenture, and may include the Trustee; provided that if the Trustee shall fail to so approve, it shall deliver to the University a statement of its reasons for such failure.

"Event of Default" shall have the meaning given to such term in Section 801.

"Excess Investment Earnings" means that amount determined by the University to be required to be rebated to the United States of America under the Code.

"Federal Obligation" means any direct obligation of, or any obligation the full and timely payment of principal of and interest on which is guaranteed by, the United States of America.

"Fiscal Year" means the 12-month period commencing on July 1 of each year and including June 30 of the succeeding calendar year, or such other fiscal year as the University may adopt from time to time.

"Final Computation Date" means with respect to any Series the date all amounts due under the last Bond of that Series are actually and unconditionally due if cash is

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(d) Bonds deemed to have been paid as provided in subsection (b) of Section 1201.

"Owner" or "Bondowner" means any person who shall be the registered owner of any Bond or Bonds.

"Principal Account" means the Principal Account in the Debt Service Fund established in Section 501.

"Principal Installment" means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (a) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (c) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

"Project" means any project for the purchase, replacement, construction, leasing or other acquisition of any real or personal property or interests therein which the University is authorized by law to undertake or for the improvement, reconstruction, extension or addition to any real or personal property, owned or operated by the University.

"Redemption Price" means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this Indenture.

"Refunding Bonds" mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 207, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 406 or Section 1106.

"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

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highest rating categories by Moody's Investors Service, Inc. or Standard & Poor's Corporation or both Moody's Investors Service, Inc., and Standard & Poor's Corporation if such institution's rated by both or their comparably recognized business successors.

"Reserve Fund" means the Reserve Fund established in Section 501.

"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" means 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 Chapter 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 Indenture; and (5) revenues from trust land required to be deposited with the Department of Revenue under AS 14.40.400.

"Series" means all of the Bonds authenticated and delivered on original issuance and identified pursuant to this Indenture or a Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 406 or Section 1106, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

"Sinking Fund Installment" means, as of any particular date of determination and with respect to the Outstanding Bonds of any Series, the amount required by a Supplemental Indenture to be paid in any event by the University on a single future date for the retirement of Bonds of such Series which mature after said future date, but does not include any amount payable by the University by reason only of the maturity of a Bond.

"State" means the State of Alaska.

"Supplemental Indenture" means any indenture supplemental to or amendatory of this Indenture, entered into by the University and the Trustee in accordance with Article X.

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"Trustee" means the trustee appointed pursuant to Article IX, and its successor or successors and any other corporation or association which may at any time be substituted in its place pursuant to this Indenture.

"University" means the University of Alaska organized and existing under Article VII, Section 2 of the Alaska Constitution and the Act.

Section 102 - Interpretation. In this Indenture, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "hereunder," "herein" and any similar terms used herein refer to this Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this Indenture.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) Words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond.

(e) Any percentage of Bonds, for purposes of this Indenture, shall be computed on the basis of the unpaid principal amount of Bonds Outstanding at the time the computation is made or is required to be made hereunder.

(f) Any headings preceding the text of the several Articles and Sections of this Indenture, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(g) Articles and Sections mentioned by number only are the respective Articles and Sections of this Indenture so numbered.

(h) The term "principal" when used in connection with compound interest or zero coupon or like paying Bonds shall mean the initial principal amount of such Bonds as at their date of issuance plus interest accreted thereon to the date of calculation.

Section 103 - Successors and Assigns. Reference in this Indenture to the University includes its successors and assigns. All of the covenants, stipulations, obligations and

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agreements by or on behalf of, and other provisions for the benefit of, the University contained in this Indenture shall bind and inure to the benefit of such successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the University or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of this Indenture.

Section 104 - Parties Interested Herein. Nothing in this Indenture expressed or implied gives to any person, other than the University, the Trustee and the Owners of Bonds any right, remedy or claim under this Indenture. All the covenants, stipulations, promises and agreements contained in this Indenture shall be for the exclusive benefit of the University, the Trustee and the Owners of the Bonds.

ARTICLE II AUTHORIZATION AND ISSUANCE OF BONDS

Section 201 - Pledge Effected by Indenture. The Revenues and all amounts held in any Fund under this Indenture, except to the extent provided in this Indenture as to amounts held or payable free and clear of, or expressly not subject to, any trust, lien or pledge created by this Indenture, are hereby pledged 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 this 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. [Effective Dec. 1, 2003.]

Section 202 - Indenture to Constitute Contract. In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of this Indenture shall be a part of the contract of the University with the holders of Bonds and shall be deemed to be and shall constitute a contract between the University, the Trustee and the holders from time to time of the Bonds. The pledge effected hereby and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the University shall be for the equal benefit, protection and security of the holders of any and all such Bonds, each of which, regardless of the time or times of its issue, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in this Indenture.

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Section 203 - Authorization of Bonds. There is hereby established and created an issue of Bonds of the University to be known and designated as "University of Alaska General Revenue Bonds", which Bonds may be issued as hereinafter provided without limitation as to amount except as provided in this Indenture or as may be limited by law. There is hereby created by this Indenture, in the manner and to the extent provided herein, a continuing pledge and lien to secure the full and final payment at the principal or Redemption Price of, interest on and Sinking Fund Installments for, all of the Bonds issued pursuant to this Indenture. The Bonds shall be special obligations of the University payable from the Revenues and other amounts pledged as provided herein. The State shall not be liable on the Bonds and the Bonds shall not be a debt or liability, or constitute a pledge or loan of the faith and credit, of the State. The Bonds shall contain on the face thereof a statement to the effect that the University is obligated to pay the principal or Redemption Price, if any, of the Bonds and the interest thereon only from Revenues and other amounts pledged and that the State is not obligated to pay such principal or Redemption Price, if any, or interest and that neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal or Redemption Price, if any, of, or the interest on, the Bonds.

Section 204 - Provisions for Issuance of Bonds.

(a) The issuance of the Bonds shall be authorized by a Supplemental Indenture or Supplemental Indentures of the University executed subsequent hereto and the Bonds may be issued in one or more Series. The Bonds of each Series, including Refunding Bonds, shall, in addition to the title "University of Alaska General Revenue Bonds," shall contain such further appropriate particular designations added to such title and the appropriate Series designation as the University may determine in such Supplemental Indenture. Each Bond shall bear upon its face the designations so determined for the Series to which it belongs.

Each Supplemental Indenture authorizing the issuance of a Series of Bonds shall also specify:

(1) The authorized principal amount of said Series of Bonds;

(2) The purposes for which such Series of Bonds is being issued, which shall be: (i) the purposes set forth in Section 205, (ii) one or more of the purposes set forth in Section 206, or (iii) the refunding of any Bonds as provided in Section 207, specifying the Bonds to be refunded;

(3) The date or dates of issue, maturity date or dates and amounts of each maturity of the Bonds of said Series;

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(4) The interest rate or rates, or the manner of determining such rate or rates, of the Bonds of said Series, and the interest payment dates therefor;

(5) The denomination or denominations of, and the manner of numbering and lettering, the Bonds of such Series;

(6) The Redemption Price or Redemption Prices, if any, and, subject to Article IV, the redemption terms, if any, for the Bonds of such Series;

(7) The amount and due date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series;

(8) The form or forms of the Bonds of such Series and of the Trustee's certificate of authentication;

(9) The manner of execution of the Bonds of such Series; and

(10) Any other provisions deemed advisable by the University, not in conflict with the provisions of this Indenture and any other provisions which may conflict with the provisions of this Indenture necessary because the Bonds of such Series are variable rate or compound interest Bonds.

(b) All (but not less than all) the Bonds of each Series shall be executed by the University for issuance under this Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the University or to such other party as may be specified in a written order of the University, but only upon the receipt by the Trustee of:

(1) A Counsel's Opinion dated as of the date of such delivery by the Trustee to the effect that (A) the Trust Indenture has been duly and lawfully entered into by the University and constitutes a valid and legally binding obligation of the University enforceable in accordance with its terms, except as its enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, applicable equitable principles, or other laws affecting the enforcement of creditors' rights generally; (B) 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 Additional Bonds, if any, issued or to be issued under the Indenture subject to no prior lien granted under the Act; and (C) the Bonds are valid and legally binding in accordance with their terms, have been executed by the duly organized 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, except as its enforcement may be limited by bankruptcy, insolvency, reorganization,

moratorium, applicable equitable principles, or the laws affecting the enforcement of creditors' rights generally;

(2) A written order as to the delivery of such Bonds, signed by an Authorized Officer;

(3) A copy of the Supplemental Indenture authorizing such Bonds, certified by an Authorized Officer;

(4) Except in the case of Refunding Bonds, a certificate of an Authorized Officer stating that the University is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture;

(5) Such further documents, moneys and securities as are required by the provisions of Section 206 or Section 207, or Article X or any Supplemental Indenture.

(c) After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III, Section 406 or Section 1108.

(d) The proceeds, including any accrued interest, of the Bonds of each Series shall be applied simultaneously with the delivery of such Bonds, as follows:

(1) there shall be deposited in the Interest Account of the Debt Service Fund (A) an amount equal to the accrued interest on such Bonds to the date of such delivery, and (B) if and to the extent provided in the Supplemental Indenture authorizing such Bonds, such additional amount as specified therein;

(2) there shall be deposited in the Reserve Fund the amount, if any, required so that the balance on deposit in such Fund shall equal the Reserve Requirement; and

(3) there shall be deposited in each of the other funds created under this Indenture the amount, if any, provided for deposit therein by the Supplemental Indenture authorizing the issuance of such Series of Bonds.

Section 205 - 1992 Bonds. Concurrently with the authorization of this Indenture, the University is authorizing, pursuant to Section 204, a First Supplemental Indenture authorizing the issuance of Series of Bonds entitled "University of Alaska General Revenue Bonds, 1992 Series A" (the "1992 Series A Bonds") and a Series of Bonds entitled "University of Alaska General Revenue Bonds, 1992 Series B" (the "1992

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Series B Bonds"). The 1992 Series A Bonds are being issued for the purpose of providing funds to pay a portion of the Cost of Acquisition or Construction of the Projects described in Exhibit B-2 to such First Supplemental Indenture. The 1992 Series B Bonds are being issued for the purpose of providing funds to pay a portion of the Cost of Acquisition or Construction of the Project described in Exhibit B-2 to such Supplemental Indenture. Such 1992 Bonds shall be executed by the University and authenticated and delivered by the Trustee in compliance with the provisions of Section 204(b) hereof and of such First Supplemental Indenture.

Section 206 - Additional Bonds. (a) The University will not issue any Bonds (other than that 1992 Bonds referred to in Section 205 or Refunding Bonds issued pursuant to Section 207) 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 this Indenture except that, if the conditions in Section 204 and this Section 206 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 or 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. [Effective Dec. 1, 2003.]

Section 207 - Provisions for Refunding Bonds.

(a) One or more Series of Refunding Bonds may be issued at any time to refund any part or all of the Bonds of any one or more Series then Outstanding. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits as are required by the provisions of this Section and of the Supplemental Indenture authorizing said Series of Refunding Bonds.

(b) A Series of Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee (in addition to the receipt by it of the documents required by Section 204) of:

(1) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on the redemption date specified in such instructions;

(2) Irrevocable instructions to the Trustee, satisfactory to it, to give the notice provided for in Section 1201 to the Owners of the Bonds being refunded.

(3) Either (A) moneys in an amount sufficient to effect payment at the applicable Redemption Price or maturity amount of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be refunded, or (B) Federal Obligations in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of subsection (b) of Section 1201 and any moneys required pursuant to said subsection (b) of Section 1201, which Federal Obligations and moneys shall be held in trust and used only as provided in said subsection (b); and

(4) Either (A) a certificate of an Authorized Officer (i) setting forth the Aggregate Debt Service for the then current and each future Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (I) with respect to the Bonds of all Series Outstanding immediately prior to the date of delivery of such Refunding Bonds, and (II) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (ii) stating that the Aggregate Debt Service set forth each Fiscal Year pursuant to (II) above is no greater than that set forth for such Fiscal Year pursuant to (I) above, or (B) 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 Refunding Bonds was at least equal to 2.0 times Maximum Aggregate Debt Service with respect to all Bonds to be Outstanding after the issuance and delivery of such Refunding Bonds.

(c) Any balance of the proceeds of Refunding Bonds not needed for the purposes provided in this Section or in the Supplemental Indenture authorizing such Bonds may be used by the University, to the extent necessary, to pay any expenses incurred in connection with the issuance of such Refunding Bonds and, thereafter, any remaining balance not so needed by the University deposited in the Revenue Fund.

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ARTICLE III GENERAL TERMS AND PROVISIONS OF BONDS

Section 301 - Medium of Payment, Denomination, Maturities, Form and Date.

(a) The Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(b) Except as may otherwise be provided in the Supplemental Indenture authorizing the issuance of a Series of Bonds, Bonds shall be issued in fully registered form without coupons.

(c) All Bonds shall bear interest from their date. Bonds issued prior to the first Interest Payment Date thereof shall be dated as provided in the Supplemental Indenture authorizing the Bonds, but Bonds issued on or subsequent to the first Interest Payment Date thereof shall be dated as of the date six months preceding the interest Payment Date next following the date of delivery thereof (unless such date of delivery shall be an Interest Payment Date, in which case they shall be dated as of such date of delivery). If, however, as shown by the records of the Trustee, interest on such Bonds shall be in default, the Bonds issued in lieu of Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Bonds surrendered.

Section 302 - Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable to comply with custom, or otherwise.

Section 303 - Execution and Authentication.

(a) The Bonds shall be executed in the name of the University by the manual or facsimile signature of the President or Vice President of the Board of Regents or the President of the University, and its corporate seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of an authorized officer, or in such other manner as may be required or permitted by law. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been authenticated and delivered by the Trustee, such Bonds nevertheless may be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of the University by such persons as at the time of the execution of such Bond shall be duly

authorized to hold the proper office in the University, although at the date borne by the Bonds of such Series such persons may not have been so authorized or have held such office.

(b) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Indenture authorizing such Bonds, executed manually by the Trustee. Only Bonds bearing such certificate of authentication shall be entitled to any right or benefit under this Indenture and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the University shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Indenture and that the Owner thereof entitled to the benefits of this Indenture.

Section 304 - Exchange of Bonds. Bonds, upon surrender thereof at the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered Owner or his duly authorized attorney, may, at the option of the registered Owner thereof, and upon payment by such registered Owner of any charges which the Trustee may make as provided in Section 307, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity of any authorized denominations. All Bonds surrendered in any such exchange shall be canceled by the Trustee.

Section 305 - Negotiability, Transfer and Registry.

(a) All Bonds shall be negotiable, subject to the provisions for registration, transfer and exchange contained herein and in the Bonds. So long as any of the Bonds shall remain Outstanding, the University shall cause the Trustee to maintain books for the registration, transfer and exchange of Bonds at the principal office of the Trustee. Upon presentation thereof for such purpose at said office, the University shall register or cause to be registered in such books, and permit to be transferred thereon, any Bonds entitled to registration or transfer, under such reasonable regulations as it or the Trustee may prescribe. So long as any of the Bonds remain Outstanding, the University shall make all necessary provisions to permit the exchange of Bonds at the principal office of the Trustee.

(b) Bonds shall be transferable only upon the books of the University, which shall be kept for such purpose at the principal office of the Trustee, by the registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered Owner or his duly authorized attorney. Upon the 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, Series and maturity as the surrendered Bond. Any Bond surrendered in exchange for a new Bond pursuant to this Section shall be canceled by the Trustee.

(c) The University and the Trustee may deem and treat the person in whose name any Bond shall be registered upon the books of the University as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes and all such payments so made to any such registered Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the University nor the Trustee shall be affected by any notice to the contrary.

Section 306 - Bond Depository.

(a) A Supplemental Indenture may provide that (1) a Series of Bonds may be initially issued in the form of a separate single authenticated fully registered bond in the amount of each separate stated maturity of such Series, and (2) upon initial issuance, the ownership of Bonds of such Series may be registered in the registry books kept by the Trustee in the name of the nominee of a Bond Depository or in the name of the Bond Depository. With respect to Bonds registered in the registry books kept by the Trustee in the name of a nominee of a Bond Depository or in the name of the Bond Depository, the University and the Trustee shall have no responsibility or obligation with respect to (1) the accuracy of the records of the Bond Depository, its nominee or any participant with respect to any ownership interest in the Bonds, (2) the delivery to any participant, any beneficial owner or any other person, other than the nominee or Bond Depository, of any notice with respect to such Bonds, including any notice of redemption, or (3) the payment to any participant, any beneficial owner or any other person, other than the nominee or Bond Depository, of any amounts with respect to the principal or premium, if any, or interest on such Bonds. The University and the Trustee may treat as and deem the nominee or Bond Depository to be the absolute owner of each such Bond for the purpose of payment of the principal or premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal or premium, if any, and interest on such Bonds only to or upon the order of the nominee or Bond Depository, and all such payments shall be valid and effective to fully satisfy and discharge the University's obligation with respect to the principal or premium, if any, and interest on such Bonds to the extent of the sum or sums so paid. No person other than the nominee or Bond Depository shall receive an authenticated Bond of such Series evidencing the obligation of the University to make payments of principal and premium, if any, and interest pursuant to this Indenture. Upon delivery by the nominee or Bond Depository to the Trustee of written notice to the

effect that the Bond Depository has determined to substitute a new nominee in place of the existing nominee, the Trustee shall issue a new registered Bond to the new nominee in exchange for each Bond surrendered which was registered in the name of the old nominee to such new nominee of the Bond Depository.

(b) Upon receipt by the University and the Trustee of written notice from the Bond Depository to the effect that the Bond Depository is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Bond Depository hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Bonds shall no longer be restricted to being registered in the registry books of the University kept by the Trustee in the name of the Bond Depository or nominee of the Bond Depository, but may be registered in whatever name or names the beneficial owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

(c) In the event the University determines that it is in the best interests of the beneficial owners that they be able to obtain Bond certificates, the University may notify the Bond Depository and the Trustee, whereupon the nominee or Bond Depository will notify the participants, of the availability through the nominee or Bond Depository of Bond certificates. In such event, the Trustee shall issue, transfer and exchange, Bond certificates as requested to the Bond Depository and any other Bondowners in appropriate amounts, and whenever the Bond Depository requests the University and the Trustee to do so, the Trustee and the University will cooperate with the Bond Depository by taking appropriate action after reasonable written notice (1) to make available one or more separate certificates evidencing the Bonds to any nominee or participant having Bonds credited to its Bond Depository account or (2) to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

(d) So long as any Bond is registered in the name of a Bond Depository or nominee of the Bond Depository, all payments with respect to the principal and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to the nominee or Bond Depository.

(e) In connection with any notice or other communication to be provided to Bondowners pursuant to this Indenture by the University or the Trustee with respect to any consent or other action to be taken by Bondowners, the University or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the nominee or Bond Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

(f) As used in this section, participant means any person or other entity for whom the Bond Depository holds Bonds under this section.

APPENDIX B

Section 307 - Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging or transferring Bonds is exercised, the University shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. For every such exchange or transfer of Bonds, whether temporary or definitive, the University or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the University nor the Trustee shall be required to transfer or exchange (a) Bonds subject to redemption during the 15 days preceding the date of mailing of notice of redemption of such Bonds, or (b) any Bond after such Bond has been called for redemption.

Section 308 - Bonds Mutilated, Destroyed, Stolen or Lost. If any Bond becomes mutilated or is destroyed, stolen or lost, the University shall execute and the Trustee shall authenticate and deliver a new Bond of like Series, interest rate, maturity, principal amount and other terms as the Bond mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. All Bonds so surrendered to the Trustee shall be canceled by it and evidence of such cancellation shall be given to the University. In the case of a destroyed, stolen or lost Bond, such new Bond shall be delivered only upon filing with the Trustee of evidence satisfactory to the University and the Trustee that such Bond has been destroyed, stolen or lost and of ownership thereof and upon furnishing the University and the Trustee with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond pursuant to this Section shall comply with such other reasonable regulations as the University and the Trustee may prescribe and pay such expenses as the University and the Trustee may incur in connection therewith. Any Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the University, whether or not the Bonds alleged to be destroyed, stolen, or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Indenture in any moneys or securities held by the University or the Trustee for the benefit of the Bondowners.

Section 309 - Preparation of Definitive Bonds; Temporary Bonds.

(a) Until definitive Bonds of any Series are prepared, the University may execute in the same manner as provided in Section 303, and upon request of the University, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bonds are issued, in denominations authorized by the University, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. Upon surrender of such

temporary Bonds for exchange and cancellation, the University at its own expense shall prepare and execute and, without charge to the Owner thereof, deliver in exchange therefor, at the principal office of the Trustee, definitive Bonds of the same aggregate principal amount, Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Indenture.

(b) If the University shall authorize the issuance of temporary Bonds in more than one denomination, the Owner of any temporary Bond or Bonds may, at his option, surrender the same to the Trustee in exchange for another temporary Bond or Bonds of like aggregate principal amount and Series and maturity of any other authorized denomination or denominations, and thereupon the University shall execute and the Trustee shall authenticate and, in exchange for the temporary Bond or Bonds so surrendered and upon payment of the taxes, fees and charges provided for in Section 307, shall deliver a temporary Bond or Bonds of like aggregate principal amount, Series and maturity in such other authorized denomination or denominations as shall be requested by such Owner.

(c) All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith canceled by the Trustee.

Section 310 - Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with all Bonds purchased by the Trustee, shall thereupon be promptly canceled and destroyed.

Section 311 - Alternate Terms Permitted in Supplemental Indentures. Notwithstanding the foregoing provisions of this Article III, the University may establish terms and provisions for a Series of Bonds different than the terms and provisions contained in this Article III in the Supplemental Indenture authorizing the issuance of such Series of Bonds, and such terms and provisions contained in such Supplemental Indenture shall be controlling with respect to such Series of Bonds.

ARTICLE IV REDEMPTION OF BONDS

Section 401 - Privilege of Redemption and Redemption Price. Bonds of a Series subject to redemption prior to maturity pursuant to this Indenture or a Supplemental Indenture shall be redeemable, upon notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms in addition to the terms contained in this Article IV as may be specified in this Indenture or in the Supplemental Indenture authorizing such Series.

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Section 402 - Redemption at the Election or Direction of the University. In the case of any redemption of Bonds other than as provided in Section 403, the University shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the University in its sole discretion, subject to any limitations with respect thereto contained in this Indenture and the Supplemental Indenture with respect to such Series). Such Notice shall be given at least 45 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in Section 405, there shall be paid prior to the redemption date to the Trustee an amount in cash which, in addition to other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed.

Section 403 - Redemption Otherwise Than at the University's Election or Direction. Whenever by the terms of this Indenture the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the University, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, in accordance with the terms of this Article IV and, to the extent applicable, Section 505.

Section 404 - Selection of Bonds to be Redeemed. If less than all of the Bonds of like maturity of any Series shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate.

Section 405 - Notice of Redemption. When the Trustee shall receive notice from the University of its election or direction to redeem Bonds pursuant to Section 402, and when redemption of Bonds is authorized or required pursuant to Section 403, the Trustee shall give notice, in the name of the University, of the redemption of such Bonds, which notice shall specify (i) the Bonds (including complete official name thereof) or designated portions thereof which are to be redeemed, (ii) the date of redemption, (iii) the place or places where the redemption will be made, including the name and address of any redemption agent, (iv) the Redemption Price, (v) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (vi) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part, (vii) the date of mailing of the notice to the Registered Owners of Bonds, and (viii) if less than all the Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the

Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue and be payable. The following actions shall be taken by the Trustee with respect to such redemption notice:

(a) Not more than sixty (60) days and at least thirty (30) days prior to the redemption date, such redemption notice shall be given to the respective registered owners of Bonds designated for redemption by first class mail at their addresses appearing on the bond register.

(b) At least one Business Day before the date on which the redemption notice is mailed to the Registered Owners pursuant to paragraph (a) above, such redemption notice shall be given at the expense of the University by (1) registered or certified mail, postage prepaid, (2) confirmed facsimile transmission, or (3) overnight delivery service, to the following securities depository and to any other securities depository that is a Registered Owner:

The Depository Trust Company
711 Stewart Avenue
Garden City, New York 11530
Facsimile transmission: (516) 227-4039
(516) 227-4190

(c) On the date on which the redemption notice is mailed to the Registered Owners pursuant to paragraph (a) above, such redemption notice shall be given by (1) registered or certified mail, postage prepaid, or (2) overnight delivery service, to Standard & Poor's and to Kenny Information Service's, Called Bond Service, 65 Broadway, 16th Floor, New York, New York 10006, or its recognized successors.

Neither failure to receive any redemption notice nor any defect in such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds. Failure by the Trustee to deliver notice of redemption of the Bonds at the times required herein shall not impair the ability of the Trustee and the University to effect such redemption.

Section 406 - Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. Each check or other transfer of funds issued for the

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purpose of redeeming any Bond shall bear or be accompanied by a statement specifying the CUSIP number identifying the Bonds being redeemed with the proceeds of such check or other transfer. If there shall be selected for redemption less than all of a Bond, the University shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, at the option of the Owner thereof, Bonds of like Series and maturity in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid (and notwithstanding any defect therein or the lack of actual receipt thereof by any Bondowner), then, from and after the redemption date interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE V ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 501 - Establishment of Funds and Accounts.

(a) The following Funds and Accounts, each to be held by the Trustee, are hereby established:

- (1) Debt Service Fund, which shall consist of an Interest Account and a Principal Account, and
- (2) Reserve Fund.

(b) The Construction Fund and the Revenue Fund, each to be held by the University, are hereby established.

(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 the dates fixed in the First Supplemental Indenture for each Series of Bonds 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.

Section 502 - Construction Fund.

(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 herein, 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 this 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 this Section 502, 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 this Indenture.

Section 503 - Payments Into Certain Funds.

With at least the frequency stated below, the University shall withdraw amounts from the Revenue Fund and deposit said amounts with the Trustee on the dates set forth below and the Trustee shall deposit said amounts in the following order in the amounts and in the Funds set forth below.

(a) In the Debt Service Fund (1) Five Business Days before each interest payment date for credit to the Interest Account, unless the sum on deposit therein equals or exceeds the interest due on all Bonds on the next succeeding interest payment date, an amount equal to the interest due on such interest payment date less the interest to be paid on such interest payment date from Bond proceeds held in said

Account for such purpose: provided, however, that for the purposes of computing the amount on deposit in said Account, there shall be excluded the amount, if any, set aside in said Account for the payment of interest due after the next succeeding interest payment date; and (2) annually five Business Days before each principal payment date for credit to the Principal Account, unless the sum on deposit therein equals or exceeds all Principal Installments due on the next succeeding principal payment date an amount equal to one-half of such Principal Installments; and (3) annually five Business Days before each principal payment date, for credit to the Principal Account, the amount, if any, necessary to cause the sum on deposit therein to equal all Principal Installments due on the next succeeding principal payment date, provided that the University may establish by Supplemental Indenture payments into the Debt Service Fund at different times and in different amounts as necessary for interest paid other than semi-annually and in fixed amounts. [Effective Oct. 15, 1992.]

A Supplemental Indenture may direct the Trustee to pay interest on any Series of Bonds from amounts deposited in the Interest Account for the payment of interest. In such event, the determination of the necessary deposit in the Debt Service Fund under this Section shall restrict the expenditure of the deposit for that purpose.

(b) In the Reserve Fund, the amount, if any, required so that the balance in the Fund equals the Reserve Requirement.

Section 504 - Debt Service Fund.

(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) 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, 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.

Section 505 - Reserve Fund.

(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 this 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

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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 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 this Section. 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 Exhibit D-1 to the Ninth Supplemental Indenture. [Effective Dec. 1, 2003.]

(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.

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(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 505(f)(1) above. [Effective Dec. 1, 2003.]

Section 506 - Excess Investment Earnings.

(a) The University shall calculate the Excess Investment Earnings as of each Computation Date and pay to the United States of America (i) at least 90% of the Rebate Amount as of each Installment Computation Date no later than 60 days after the Installment Computation Date; and (ii) 100% of the Rebate Amount as of the Final Computation Date no later than 60 days after the Final Computation Date.

(b) Notwithstanding subsection (a) of this Section, payments of Excess Investment Earnings will be made in accordance with instructions provided by Bond Counsel if necessary to maintain the exclusion from income for federal income tax purposes of interest on the Bonds and in accordance with letters of instruction that may be provided by Bond Counsel from time to time to reflect then current procedures and requirements under the Code.

Section 507 - Creation of Additional Funds, Accounts, and Subaccounts; Separate Credit Enhancement Funds and Pledges.

(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 as 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 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

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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.

ARTICLE VI DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 601 - Depositories.

(a) All moneys held by the Trustee under the provisions of this Indenture shall be deposited with the Trustee and the Trustee shall, if directed by the University, and the Trustee concurs, deposit such moneys with one or more Depositories in trust for the Trustee. All moneys held by the University under this Indenture shall be deposited in one or more Depositories in trust for the University. All moneys deposited under the provisions of this Indenture with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of this Indenture, and each of the Funds established by this Indenture shall be a trust fund for the purposes thereof.

(b) Each Depository 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 willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of this Indenture.

Section 602 - Deposits.

(a) All Revenues and other moneys held by any Depository under this Indenture may be placed on demand or time deposit, if and as directed by the University, provided that such deposits shall permit the moneys held to be available for use at the time when needed. Any such deposit may be made in the commercial banking department of the Trustee which may honor checks and drafts on such deposit with the same force and effect as if it were not the Trustee. All moneys held by the Trustee, as such, may be deposited by the Trustee in its banking department on demand or, if and to the extent directed by the University and acceptable to the Trustee, on time deposit, provided that such moneys on deposit be available for use at the time when needed. The Trustee shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

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(b) All moneys held under this Indenture on demand or time deposit by the Trustee or any Depository shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee, any Federal Reserve Bank or branch, or another third party custodian approved by the Trustee and the University, Investment Securities having a market value (exclusive of accrued interest) not less than 100 percent of the amount of such moneys, or (2) held in such other manner as may then be required by applicable federal and applicable state laws and regulations of the state in which the Trustee or such Depository (as the case may be) is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Trustee to give security under this subsection (b) for the deposit of any moneys with it held in trust and set aside by it for the payment of the principal or Redemption Price of or interest on any Bonds.

(c) All moneys deposited with the Trustee and each Depository shall be credited to the particular Fund or Account to which such moneys belong.

Section 603 - Investment of Certain Funds. Moneys held in any Fund or Account held by the Trustee shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds and Accounts in accordance with written instructions received from any Authorized Officer of the University. Nothing in this Indenture shall prevent any Investment Securities acquired as investments of funds held under this Indenture from being issued or held in book-entry form on the books of the Department of Treasury of the United States of America. [Effective Oct. 15, 1992.]

Section 604 - Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any Fund created under the provisions of this Indenture shall be deemed at all times to be part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to the respective Fund. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment computing the amount in any Fund created under the provisions of this Indenture for any purpose provided in this Indenture, obligations purchased as an investment of moneys therein shall be valued at the market value thereof exclusive of accrued interest, or otherwise as may then be required by the Code. Such computations shall be determined not less frequently than quarterly in each year.

Except as otherwise provided in this Indenture, the Trustee shall sell or present for redemption any obligation purchased as an investment of moneys in any Fund or Account created under this Indenture whenever it shall be requested in writing by an

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Authorized Officer of the University so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from such Fund.

So long as the first two Series of Bonds are Outstanding or any future Series of Bonds is Outstanding, which is the subject of Credit Enhancement which requires it, the value of the investments in any fund shall be determined as of the end of each month and shall be calculated as follows:

(a) As to investments for which bid and asked prices are published on a regular basis in The Wall Street Journal (or if not there, then in The New York Times), the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(b) As to investments for which bid and asked prices are not published on a regular basis in The Wall Street Journal or The New York Times, the average bid price at such time of determination for such investments by two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(c) As to certificates of deposit and bankers acceptance, the face amount thereof, plus accrued interest; and

(d) As to any investment not specified above, the value thereof established by prior agreement between the University, the Trustee, and AMBAC Indemnity.

ARTICLE VII PARTICULAR COVENANTS OF THE UNIVERSITY

Section 701 - Payment of Bonds. 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.

Section 702 - Extension of Payment of Bonds. The University shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of claims for interest, by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under this Indenture, to the benefit of this Indenture or to any payment out of Revenues or Funds established by this Indenture, including the investments, if any, thereof, pledged under this Indenture or the moneys (except moneys held in trust for the payment of particular

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Bonds or claims for interest pursuant to this Indenture), except subject to the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the University to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 703 - Offices for Servicing Bonds. The University shall at all times maintain one or more agencies as may be provided by Supplemental Indenture where Bonds may be presented for registration, transfer or exchange, and where Bonds may be presented for payment and shall at all times maintain one or more agencies where Bonds may be presented for registration, transfer or exchange, and where notices, demands and other documents may be served upon the University in respect of the Bonds or of this Indenture. The University hereby appoints the Trustee as Bond Registrar to maintain an agency for the registration, transfer or exchange of Bonds, and for the service upon the University of such notices, demands and other documents and the Trustee shall continuously maintain or make arrangements to provide such services.

Section 704 - Further Assurance. At any and all times the University shall, as far as it may be authorized by law, comply with any reasonable request of the Trustee to pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pleading, assigning and confirming all and singular the rights, Revenues and other moneys, securities and funds hereby pledged or assigned, or intended so to be, or which the University may become bound to pledge or assign.

Section 705 - Power to Issue Bonds and Pledge Revenues and Other Funds. The University is duly authorized under the Act and all other applicable laws to create and issue the Bonds and to adopt this Indenture and to pledge and assign the Revenues and other moneys, securities and funds purported to be subject to the lien of this Indenture in the manner and to the extent provided in this Indenture. Except to the extent otherwise provided in this 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 upon or with respect thereto prior to, or of equal rank with, the pledge and assignment created by this 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 this Indenture are and will be valid and legally enforceable obligations of the University, a, accordance with their terms and the terms of the Act and this 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 this Indenture and all the rights of the Bondowners under this Indenture against all claims and demands of all persons whomsoever. The

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University further agrees to pay its general expenses from legislative appropriations from the State's general fund to the University before paying those expenses from the Revenue Fund.

Section 706 - Pledge of the State. The State of Alaska pledges to and agrees with the Owners of the Bonds that the State will not limit or alter the rights and powers vested in the University by the Act to fulfill the terms of the contracts made by the University under this Indenture with the Owners of Bonds; until the Bonds together with the interest on them with interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the Owners of the Bonds, are fully met and discharged. This pledge is included in this Indenture under the specific authority of AS 14.40.254.

Section 707 - Creation of Liens. The University shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, secured by a pledge of or other lien or charge on the Revenues and shall not create or cause to be created any lien or charge on such Revenues or on any amounts held under this Indenture; provided, however, that neither this Section nor any other provision of this Indenture shall prevent the University from issuing bonds or notes or other obligations for the purposes of the University payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in this Indenture shall be discharged and satisfied as provided in Section 1201, or from issuing bonds or notes or other obligations for the purposes of the University which are secured by a pledge of amounts which is and shall be in all respects subordinate to the provisions of this Indenture and the lien and pledge created by this Indenture and shall not be accelerated in the event of default. The University further covenants not to issue any further bonds under the authority of Ch. 56, SLA 1961, as amended, secured by revenues of the Housing System under Ch. 56, SLA 1961, as amended, except refunding bonds.

Section 708 - Fees, Charges and Rentals. 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 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. [Effective Dec. 1, 2003.]

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Section 709 - Maintenance of Reserve Fund. The University has determined and does hereby determine that establishment of a Reserve Fund will enhance the marketability of the Bonds. The University shall at all times maintain the Reserve Fund with the Trustee created and established by Section 501 and do and perform or cause to be done and performed each and every act and thing with respect to the Reserve Fund provided to be done or performed on behalf of the University or the Trustee under the terms and provisions of Article V hereof.

Section 710 - Accounts and Reports.

(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 this 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 this 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 this 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 this 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 this 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 this 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,

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observed, performed and fulfilled each and every one of its covenants and obligations contained in this Indenture and there does not exist at the date of such certificate any default by the University under this Indenture or any Event of Default or other event which, with the lapse of time specified in Section 801, 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 this 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.

Section 711 - Tax Covenants

(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 Code.

(c) This Section 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 this Indenture to the contrary, upon the University's failure to observe, or refusal to comply with, the covenants in this Section 711, 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 this Indenture on the basis of the University's failure to observe, or refusal to comply with, the covenant.

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Section 712 - Payment of Taxes and Charges. The University will from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or required payments in lieu thereof, lawfully imposed upon the properties of the University or upon the rights, Revenues, income, receipts and other moneys, securities and funds of the University when the same shall become due (including all rights, moneys and other property transferred, assigned or pledged under this Indenture), and all lawful claims for labor and material and supplies, except those taxes, assessments, charges or claims which the University shall in good faith contest by proper legal proceedings, if the University shall in all such cases have set aside on its books reserves deemed adequate with respect thereto.

Section 713 - Waiver of Laws. The University shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law is hereby expressly waived by the University.

Section 714 - General

(a) The University shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the University under the provisions of the Act and this Indenture.

(b) Upon the date of authentication and delivery of each Series of Bonds, all conditions, acts and things required by law and this Indenture to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the University, shall comply in all respects with the applicable laws of the State of Alaska including the debt and other limitations prescribed by the Constitution and laws of the State of Alaska.

(c) The provisions of this Article are covenants and agreements by the University with the Trustee and the Bondowners.

ARTICLE VIII DEFAULTS AND REMEDIES

Section 801 - Events of Default. The following shall constitute Events of Default:

(a) If default shall be made in the due and punctual payment of the principal or of 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 this 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.

Section 802 - Remedies

(a) Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) of Section 801, the Trustee shall proceed, and upon the happening and continuance of any Event of Default specified in paragraph (c) or (d) of Section 801, 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, 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;

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(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 this 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 this Indenture free and clear of the lien of this Indenture.

(b) In the enforcement of any rights and remedies under this Indenture, but subject to Sections 902 and 903, 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 this 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 pretrial, trial and appellate attorney fees), and to collect from any assets pledged hereunder, 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 this 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.

Section 803 - Priority of Payments After Default

(a) In the event that upon the happening and continuance of any Event of any Event of Default the funds held by the Trustee shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds

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(other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to this Article, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under this Indenture shall be applied as follows:

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

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

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

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

(b) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having the due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee and the Trustee shall incur no liability whatsoever to the University, to any Bondowner or to any other person for any delay in applying any such moneys, so

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long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 804 - Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the University, the Trustee and the Bondowners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 805 - Bondowners' Direction of Proceedings. 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 hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this 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.

Section 806 - Restriction on Bondowner's Action.

(a) No Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of this Indenture or the execution of any trust under this Indenture or for any remedy under this Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Owners of at least 25 percent in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in this Indenture or by the Act or by the laws of the State of Alaska or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 30 days after receipt by it of such notice, request and offer of indemnity, it being understood and

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intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by this Indenture, or to enforce any right under this Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner provided in this Indenture and for the equal benefit of all Owners of the Outstanding Bonds, subject only to the provisions of Section 702.

(b) Nothing contained in this Indenture or in the Bonds shall affect or impair the obligation of the University, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of (and premium, if any) and interest on the Bonds to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce such payment of his Bond.

Section 807 - Possession of Bonds by Trustee Not Required. All rights of action under this Indenture or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Owners of such Bonds, subject to the provisions of this Indenture.

Section 808 - Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Bondowners is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 809 - No Waiver of Default. No delay or omission of the Trustee or of any Bondowner to exercise any right or arising upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein and every power and remedy given by this Indenture to the Trustee or the Bondowners respectively may be exercised from time to time and as often as may be expedient.

Section 810 - Notice of Event of Default. The Trustee shall give to the Bondowners and the University notice of each Event of Default hereunder known to the Trustee within thirty (30) days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided, that, except in the case of default in the payment of the principal or of Redemption Price, if any, or interest on any of the Bonds, the Trustee shall be protected in withholding such notice if and so long as the responsible officers of the Trustee in good faith determine that the withholding of such notice is in the best interests of the

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Bondowners. Each such notice of Event of Default to Bondowners shall be given by the Trustee by mailing, by first class mail, written notice thereof: (a) to all Owners of Bonds, as the names and addresses of such Owners appear upon the books for registration and transfer of Bonds maintained by the Trustee, and (b) to such other persons as is required by law. Any such notice mailed as provided herein shall be conclusively presumed to have been duly given regardless of whether the Bondowner actually receives the notice.

ARTICLE IX CONCERNING THE TRUSTEE

Section 901 - Trustee; Acceptance of Duties. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the University this Indenture, and by executing such acceptance the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in this Indenture.

Section 902 - Responsibilities of Trustee.

(a) The recitals of fact herein 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 this Indenture or of any Bonds issued thereunder or as to the security afforded by this 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 this 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 this Section 902, the Trustee shall not be liable in connection with the performance of its duties hereunder 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 this 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 this 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. My provision of this Indenture relating

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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 this Section 902.

(c) Notwithstanding any other provision of this Indenture, in determining whether the rights of the first or second Series of Bonds issued under this Indenture will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee shall consider the effect on the Bondholders as if there were no Municipal Bond Insurance Policy.

Section 903 - Evidence on Which Trustee May Act.

(a) The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of this Indenture, shall examine such instrument to determine whether it conforms to the requirements of this Indenture and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be of counsel to the University, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Indenture in good faith and in accordance therewith.

(b) Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture upon the faith thereof; but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

(c) Except as otherwise expressly provided in this Indenture, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the University to the Trustee shall be sufficiently executed in the name of the University by an Authorized Officer.

Section 904 - Compensation. The University shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture and the Trustee shall have a lien thereon on any and all funds at any time held by it under this Indenture. Subject to the provisions of Section 902, the University further agrees to indemnify and save the Trustee harmless against any loss, expense including attorneys fees and expenses, and

liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence, misconduct or default.

Section 905 - Certain Permitted Acts. The Trustee may become the owner of any Bonds with the same rights it would have if it were not Trustee. To the extent permitted by law, the Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

Section 906 - Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this 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, and has accepted the appointment. Notwithstanding the foregoing, no resignation of the Trustee under this Section or removal of the Trustee under Section 907 shall take effect until a successor, reasonably acceptable to AMBAC Indemnity, shall be appointed.

Section 907 - Removal of Trustee. 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 hereunder.

Section 908 - Appointment of Successor Trustee; Financial Qualifications of Trustee and Successor Trustee.

(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 this Section 908. 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 foregoing provisions of this Section within forty-five (45) days after the Trustee shall have given to the University written notice as provided in Section 906 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) 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 this Article or any successor to the Trustee shall be a trust company or bank duly organized and in good standing under the laws of the United States or 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.

Section 909 - Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the University, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the University, or of the successor Trustee, execute, acknowledge and deliver such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the University be required by such successor Trustee for more fully and

certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the University.

Section 910 - Merger or Consolidation. 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 this Indenture, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

Section 911 - Adoption of Authentication. In any case any of the Bonds contemplated to be issued under this Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certification of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all cases such certificate shall have the full force which it is anywhere in said Bonds or in this Indenture provided that the certificate of the Trustee shall have.

Section 912 - Recording and Filing. The Trustee shall cause all financing statements related to this Indenture and all supplements hereto, and such other documents as may be, in the opinion of counsel acceptable to Trustee, necessary to be kept and filed in such manner and in such places as may be required by law in order to preserve and protect fully the security of the Bondowners and the rights of the Trustee hereunder. The Trustee may request and rely upon the opinion of counsel which may be the University's counsel that the aforesaid filings have been timely made.

ARTICLE X SUPPLEMENTAL INDENTURES

Section 1001 - Supplemental Indentures Effective Upon Execution by the Trustee. 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:

APPENDIX B

(1) To close this Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this 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 this Indenture, other covenants and agreements to be observed by the University which are not contrary to or inconsistent with this Indenture as theretofore in effect.

(3) To add to the limitations and restrictions in this Indenture, other limitations and restrictions to be observed by the University which are not contrary to or inconsistent with this 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 Section 204, Section 305, and Section 505, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this 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 this 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, this Indenture, of the Revenues or of any other moneys, securities or funds.

(6) To modify any of the provisions of this 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.

Section 1002 - Supplemental Indentures Effective Upon Consent of Trustee. 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

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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 this Indenture.

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

Section 1003 - Supplemental Indentures Effective With Consent of Bondowners. 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, 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.

Section 1004 - General Provisions.

(a) This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article X and Article XI. Nothing in this Article X or Article XI contained shall affect or limit the right or obligation of the University to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 704 or the right or obligation of the University to execute and deliver to the Trustee any instrument which elsewhere in this Indenture it is provided shall be delivered to the Trustee.

(b) Any resolution authorizing a Supplemental Indenture referred to and permitted or authorized by Section 1001 and 1002 may be adopted by the University without the consent of any of the Bondowners, but such Supplemental Indenture shall be executed and delivered by the University and the Trustee and shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. Every Supplemental Indenture delivered to the Trustee for execution shall be accompanied by an Opinion of Counsel stating that such Supplemental Indenture has been duly and lawfully authorized by the University and executed by the University in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and will, when executed and delivered by the Trustee, be valid and binding upon the University and enforceable in accordance with its terms.

(c) The Trustee is hereby authorized to enter into, execute and deliver any Supplemental Indenture referred to and permitted or authorized by Sections 1001, 1002

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or 1003 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an Opinion of Counsel that such Supplemental Indenture is authorized or permitted by the provisions of this Indenture.

(d) No Supplemental Indenture shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

ARTICLE XI AMENDMENTS

Section 1101 - Mailing. Any provision in this Article for the mailing of a notice or other paper to Bondowners shall be fully complied with if it is mailed postage prepaid only to each registered Owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of the University.

Section 1102 - Powers of Amendment. Any modification or amendment of this Indenture and of the rights and obligations of the University and of Owners of the Bonds thereunder, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in Section 1103 (i) of the Owners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Owners of at least a majority in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of

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amendment Bonds of any particular Series or maturity would be affected by any modification or amendment of this Indenture and any such determination shall be binding and conclusive on the University and all Owners of Bonds.

Section 1103 - Consent of Bondowners. The University may at any time authorize a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 1102 to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondowners for their consent thereto in form satisfactory to the Trustee, shall be mailed by the University to Bondowners (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as in this Section provided). Such Supplemental Indenture shall not be effective until (a) there shall have been filed with the Trustee (1) the written consents of Owners of the percentages of Outstanding Bonds specified in Section 1102 and (2) an Opinion of Counsel stating that such Supplemental Indenture has been duly and lawfully executed and delivered by the University and the Trustee in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and is valid and binding upon the University, the Trustee and the Owners of Bonds and enforceable in accordance with its terms, and (b) a notice shall have been mailed as hereinafter in this Section 1103 provided. Each such consent shall be effective only if accompanied by proof of the ownership, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. A certificate or certificates executed by the Trustee and filed with the University stating that it has examined such proof and that such proof is sufficient in accordance with Section 1202 shall be conclusive that the consents have been given by the Owners of Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Owners of Bonds signing such consent and, anything in Section 1202 to the contrary notwithstanding, upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner has notice thereof) provided however that any consent may be revoked in writing by any Owner of such Bonds by filing such revocation with the Trustee prior to the time when the written statement of the Trustee hereinafter in this Section 1103 provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the University to the effect that no revocation thereof is on file with the Trustee. At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the University a written statement that the Owners of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been filed. At any time thereafter, notice stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture executed and delivered by the University and the Trustee on a stated date, a copy of which is on file with the Trustee) has been consented to by the

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Owners of the required percentages of Bonds, and will be effective as provided in this Section 1103, may be given to Bondowners by the University by mailing such notice to Bondowners (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding as in this Section 1103 provided). The University shall file with the Trustee proof of the mailing of such notice to Bondowners. A record, consisting of the certificates or statements required or permitted by this Section 1103 to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the University, the Trustee and the Owners of all Bonds at the expiration of forty (40) days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such forty (40)-day period; provided, however, that the Trustee and the University during such forty (40)-day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

Section 1104 - Modifications by Unanimous Consent. This Indenture and the rights and obligations of the University and of the Owners of Bonds hereunder may be modified or amended in any respect by a Supplemental Indenture effecting such modification or amendment and the consents of the Owners of all the Bonds then Outstanding, each such consent to be accompanied by proof of the ownership at the date of such consent of the Bonds with respect to which consent is given. Such Supplemental Indenture shall take effect upon its execution and delivery by the University and the Trustee, and the filing (a) with the Trustee of (1) a copy of the resolution authorizing the Supplemental Indenture certified by an Authorized Officer of the University, (2) such consents and accompanying proofs and (3) the Counsel's Opinion referred to in Section 1103, and (b) with the University and the Trustee of the Trustee's written statement that the consents of the Owners of all Outstanding Bonds have been filed with it. No mailing of any Supplemental Indenture (or reference thereto or summary thereof) or of any request or notice shall be required. No such modification or amendment, however, shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

Section 1105 - Exclusion of Bonds. Bonds owned by or for the account of the University shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article XI, and the University shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the University shall furnish the Trustee a certificate of an

Authorized Officer of the University upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 1106 - Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article X or Article XI provided may, and if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the University and the Trustee as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the principal corporate trust office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If the University or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the University to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Owner any Bonds then Outstanding shall be exchanged, without cost to such Bondowner, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

ARTICLE XII DEFEASANCE; MISCELLANEOUS PROVISIONS

Section 1201 - Defeasance.

(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 this 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 this 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 this 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 this Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under this 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. [Effective Dec. 1, 2003.]

(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 this Section 1201. 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 this Section 1201 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 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)) 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 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 this Section 1201 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 this Section 1201 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 this 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 this Indenture. For the purposes of this Section 1201, 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 this 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 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 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.

Section 1202 - Evidence of Signatures of Bondowners and Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Bondowners may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondowners in person or by their attorneys appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further and other proof in cases where it deems the same desirable.

The fact and date of the execution by any Bondowner or his attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgements of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(b) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

APPENDIX B

(c) Any request or consent by the Owner of any Bond shall bind all future such Bond in respect of anything done or suffered to be done by the University or the Trustee in accordance therewith.

Section 1203 - Moneys Held for Particular Bonds. The amounts held by the Trustee for the payment of the interests principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto.

Section 1204 - Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times during regular hours with reasonable notice to the inspection of the University and any Bondowner and their agents and their representatives, any of whom may make copies thereof.

Section 1205 - No Recourse Under Indenture or on Bonds. All covenants, stipulations, promises, agreements and obligations of the University contained in this Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the University and not of any officer or employee of the University in an individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Indenture against any officer or employee of the University or any natural person executing the Bonds.

Section 1206 - Security Instrument. A certified copy of this Indenture, delivered to and accepted by the Trustee, shall constitute a security agreement pursuant to and for all purposes of the Uniform Commercial Code of the State of Alaska.

Section 1207 - Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 1208 - Severability of Invalid Provisions. If any one or more of the covenants provided in this Indenture on the part of the University or the Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Indenture.

Section 1209 - Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Trustee are authorized by law to remain closed, such payment

may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are not authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Indenture.

Section 1210 - Notices. All notices hereunder shall be in writing and shall be validly given if mailed postage prepaid to the parties hereto at the following addresses.

To the University: University of Alaska
Bulovich Building, Rm. 207D
910 Yukon Drive
Fairbanks, Alaska 99775
Attention: Controller and
Associate Vice President for Finance

To the Trustee: First Interstate Bank of Washington, N.A.
999 Third Avenue, 14th Floor
Seattle, Washington 98104
Attention: Corporate Trust Department

The parties hereto may, by giving notice to the other parties, designate such other or further addresses as may be appropriate.

IN WITNESS WHEREOF, the University has caused this Trust Indenture to be executed by its Controller and Associate Vice President for Finance and its official seal to be impressed hereon, and the Trustee has caused this Trust Indenture to be executed by one of its Authorized Signatories all as of the day and year first above written.

UNIVERSITY OF ALASKA

[SEAL]

By _____
JAMES F. LYNCH
Controller and Associate
Vice President for Finance

FIRST INTERSTATE BANK OF WASHINGTON,
N.A.
as Trustee

By _____
Authorized Signatory

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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WOHLFORTH | BRECHT | CARTLEDGE | BROOKING

A PROFESSIONAL CORPORATION

Julius J. Brecht
Cheryl Rawls Brooking
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March __, 2012

Board of Regents
University of Alaska
910 Yukon Drive
Butrovich Building, Suite 208
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 Refunding Bonds, 2012 Series R (the "Bonds") in the aggregate principal amount of \$32,805,000. 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 February 24, 2012 (the "Resolution") and are issued pursuant to an indenture between the University, as Issuer, and The Bank of New York Mellon 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 Fifteenth Supplemental Indenture between the University and the Trustee, dated as of March 1, 2012 (the "Supplemental Indenture" and together with the Master Indenture, the "Indenture").

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:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2013	\$1,015,000	2.500%	2022	\$2,650,000	4.000%
2014	1,035,000	3.000	2023	2,070,000	4.000
2015	1,450,000	3.000	2024	2,155,000	4.000
2016	1,655,000	3.000	2025	2,245,000	4.000
2017	1,700,000	2.500	2026	2,335,000	4.000
2018	2,240,000	5.000	2027	2,420,000	3.000
2019	2,360,000	5.000	2028	1,260,000	3.125
2020	2,480,000	5.000	2030	1,135,000	3.250
2021	2,600,000	5.000			

The Bonds shall bear interest from the date of delivery. The first interest payment date shall be October 1, 2012, and semiannually thereafter on April 1 and October 1 in each year. The Bonds are dated as of the date of delivery. The Bonds are subject to redemption prior to maturity as provided in the Indenture and form of Bond.

In connection with the issuance of the Bonds, we have reviewed the Indenture and the federal tax certificate 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 (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other laws affecting creditors' rights generally from time to time in effect).

3. The Bonds 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.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisor regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion or reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Sincerely,

WOHLFORTH, BRECHT,
CARTLEDGE & BROOKING

Cynthia L. Cartledge

CLC/snr

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the University of Alaska (the "Issuer") in connection with the issuance of \$_____ University of Alaska General Revenue Refunding Bonds, 2012 Series R (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 Mellon Trust Company, N.A., as successor trustee (the "Trustee") and a Fifteenth Supplemental Indenture dated as of March 1, 2012, 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 to assist the purchaser of the Bonds in complying with 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 from time to time.

"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.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"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.

"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.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than December 15 of each year (the "Filing Date") (commencing in 2012 for the fiscal year ended June 30, 2012), provide to the MSRB 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 MSRB an Annual Report by the Filing Date during the term of the Bonds, the Issuer will send a written notice of failure to file an Annual Report to MSRB.

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 Applications and 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 Undergraduate Educational Costs (for current fiscal year); and
- (h) GENERAL INFORMATION CONCERNING THE UNIVERSITY OF ALASKA - Table 11: 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 the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall file with the MSRB a notice of any of the following events with respect to the Bonds, within ten (10) business days of the occurrence of such event:

- (1) Principal and interest payment delinquencies.

(2) Unscheduled draws on debt service reserves reflecting financial difficulties.

(3) Unscheduled draws on credit enhancements reflecting financial difficulties.

(4) Substitution of credit or liquidity providers, or their failure to perform.

(5) Adverse tax opinions or events affecting the tax-exempt status of the Bonds which include (i) the issuance by the Internal Revenue Service ("IRS") of proposed or final determinations of taxability, (ii) Notices of Proposed Issues (IRS Form 5701-TEB), (iii) other material notices or determinations with respect to the Bonds, and (iv) other events affecting the tax status of the Bonds.

(6) Defeasances.

(7) Rating changes.

(8) Tender offers.

(9) Bankruptcy, insolvency, receivership or similar proceeding by the Issuer or "obligated person."

(b) The Issuer shall file with the MSRB a notice of any of the following events with respect to the Bonds, within ten (10) business days of the occurrence of such event, if material:

(1) Nonpayment-related defaults.

(2) Modifications to rights of holders of the Bonds.

(3) Bond calls, other than mandatory, scheduled redemptions not otherwise contingent on the occurrence of an event.

(4) Release, substitution or sale of property securing repayment of the Bonds.

(5) Other than in the normal course of business, the consummation of a merger, consolidation, or acquisition involving an "obligated person," or the sale of all or substantially all of the assets of the Issuer or "obligated person," or the entry into a definitive agreement to undertake such an action, or a

termination of a definitive agreement relating to any such actions, other than in accordance with its terms.

(6) Appointment of a successor or additional trustee or the change in name of the trustee for the Bonds.

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 the MSRB of such opinion and the cancellation of this undertaking, or any portion hereof, and the MSRB is provided with a copy of such opinion.

SECTION 7. Filing Alternatives. Any filing required under the terms of this Disclosure Certificate may be made solely by transmitting such filing to the Electronic Municipal Market Access as provided at <http://www.emma.msrb.org>, or in such other manner as may be permitted from time to time by the SEC.

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 the MSRB of such opinion and the MSRB 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: March __, 2012

UNIVERSITY OF ALASKA

MYRON J. DOSCH
Controller

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