

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. Under the Code, interest on the Bonds is to be included in adjusted current earnings for purposes of calculating the federal alternative minimum tax imposed on certain corporations. See "TAX MATTERS."



\$65,350,000
UNIVERSITY OF ALASKA
General Revenue Bonds, 2015 Series T

Dated: Date of delivery

Due: October 1, as shown on inside cover

The University of Alaska (the "University") is issuing its General Revenue Bonds, 2015 Series T (the "Bonds"), to pay a portion of the costs of constructing a new Combined Heat and Power Plant, to pay capitalized interest on the Bonds, to provide funds to satisfy the Reserve Requirement, and to pay costs of issuing the Bonds.

The Bonds will be issued as fully registered bonds under a book-entry system, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), the securities depository for the Bonds. Individual purchases of the Bonds will initially be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof, and beneficial owners of the Bonds will not receive physical delivery of certificates evidencing their ownership interest in the Bonds.

The Bonds will bear interest payable on October 1, 2015, and semiannually thereafter on April 1 and October 1 of each year to maturity or prior redemption. The Bonds are subject to redemption prior to their stated maturity as described herein. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of DTC Participants.

The Bonds are revenue obligations of the University secured under a Trust Indenture dated as of June 1, 1992, as amended (the "Trust Indenture"), between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as supplemented by the Seventeenth Supplemental Trust Indenture dated as of July 1, 2015, between the University and the Trustee (together with the Trust Indenture, the "Indenture"). The Bonds, together with \$132,185,000 principal amount of the University's general revenue bonds issued and currently outstanding under the Indenture and any Additional 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, certain money and securities held under the Indenture, and amounts held in the Reserve Fund.

The Bonds are limited obligations of the University and do not constitute an indebtedness or other liability of the State of Alaska or any political subdivision thereof, except the University. 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 faith and credit nor the taxing power of the State of Alaska or any political subdivisions thereof is pledged for the payment of the Bonds.

This cover contains certain information for quick reference only and is not a complete summary. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as, and if issued and received by the Underwriters, subject to prior sale, withdrawal, or modification of the offer without notice, and subject to the approving legal opinion of Wohlforth Brecht & Cartledge, APC, Anchorage, Alaska, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Pepper PLLC, Seattle, Washington. It is expected that the Bonds, in book-entry form, will be available for delivery to DTC in New York, New York, on or about July 15, 2015.

Citigroup

BofA Merrill Lynch

Wells Fargo Securities

\$65,350,000
UNIVERSITY OF ALASKA
General Revenue Bonds, 2015 Series T

Due (October 1)	Principal Amount	Interest Rate	Yield	CUSIP No. 914046
2018	\$1,670,000	5.00%	1.20%	YY7
2019	1,760,000	5.00	1.45	YZ4
2020	1,850,000	5.00	1.78	ZA8
2021	1,945,000	5.00	2.04	ZB6
2022	2,040,000	5.00	2.27	ZC4
2023	2,145,000	5.00	2.46	ZD2
2024	2,255,000	5.00	2.62	ZE0
2025	2,375,000	5.00	2.76	ZF7
2026	2,495,000	5.00	2.94*	ZG5
2027	2,620,000	5.00	3.09*	ZH3
2028	2,755,000	5.00	3.17*	ZJ9
2029	2,900,000	5.00	3.25*	ZK6
2030	3,045,000	5.00	3.32*	ZL4
2031	3,200,000	5.00	3.38*	ZM2
2032	3,365,000	5.00	3.43*	ZN0
2033	3,540,000	5.00	3.48*	ZP5
2034	3,720,000	5.00	3.52*	ZQ3
2035	3,910,000	5.00	3.56*	ZR1
2036	4,110,000	5.00	3.60*	ZT7
2037	4,325,000	5.00	3.64*	ZU4

\$9,325,000 5.00% Term Bonds due October 1, 2039 Yield 3.67%* CUSIP No. 914046 ZS9

* Priced to the par call date of October 1, 2025.

UNIVERSITY OF ALASKA

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Board of Regents

Jyotsna Heckman, Chair	Kenneth Fisher, Secretary
Michael Powers, Vice Chair	Gloria O'Neill, Treasurer
Courtney Enright, Student Regent	Mary K. Hughes
Dale Anderson	Lisa Parker
Sheri Buretta	Andy Teuber
John Davies	

Administration

Patrick K. Gamble, President*

Ashok K. Roy, Vice President for Finance and Administration and Chief Financial Officer

Myron J. Dosch, Controller

Michael Hostina, General Counsel

Bond Counsel

Wohlforth Brecht & Cartledge, APC
Anchorage, Alaska

Trustee

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

Financial Advisor

First Southwest Company LLC
Dallas, Texas

* Mr. Gamble announced his retirement in January 2015, to become effective no later than August 31, 2015. After conducting an executive search, the Board of Regents has selected a finalist and is expected to fill the President position by August 31, 2015.

The information in this Official Statement has been compiled from official and other sources the University considers reliable and, while not guaranteed as to accuracy, which the University believes to be correct as of its date. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made by use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the University since the date hereof.

Information on website addresses set forth in this Official Statement is not incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor should any such information be relied upon in making investment decisions regarding the Bonds.

No dealer, broker, salesperson, or other person has been authorized by the University or the Underwriters to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the University or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued or recommenced at any time without prior notice to any person.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

The presentation of certain information, including tables of revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the University. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Certain statements contained in this Official Statement do not reflect historical facts, but rather are forecasts and “forward-looking statements.” No assurance can be given that the future results shown herein will be achieved, and actual results may differ materially from the forecasts shown. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe” and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. These forward-looking statements speak only as of the date they were prepared. The University specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement.

The CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the America Bankers Association by Standard & Poor’s. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the University and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Bonds. Neither the University nor the Underwriters take any responsibility for the accuracy of the CUSIP numbers.

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OFFICIAL STATEMENT

\$65,350,000

UNIVERSITY OF ALASKA General Revenue Bonds, 2015 Series T

INTRODUCTION

The purpose of this Official Statement, including the cover, inside cover and appendices, is to furnish information regarding the issuance of the University of Alaska General Revenue Bonds, 2015 Series T, in the aggregate principal amount of \$65,350,000 (the “Bonds”), the University of Alaska (the “University”), the Board of Regents of the University of Alaska (the “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, and actions authorized, by the Board of Regents and in accordance with the provisions of a Trust Indenture dated as of June 1, 1992, as amended (the “Trust Indenture”), between the University and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), as supplemented by the Seventeenth Supplemental Trust Indenture dated as of July 1, 2015, between the University and the Trustee (together with the Trust Indenture, the “Indenture”). Capitalized terms used but not defined in this Official Statement have the meanings assigned such terms in the Indenture. The form of the Trust Indenture is attached as Appendix B.

The Bonds, together with general revenue bonds issued and currently outstanding under the Indenture and any Additional Bonds issued under the Indenture, are referred to collectively in this Official Statement as “General Revenue Bonds.” The General Revenue 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, certain money and securities held under the Indenture, and amounts held in the Reserve Fund. See “SECURITY FOR THE GENERAL REVENUE BONDS.”

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 many extension and research sites.

This Official Statement contains information on the terms of the Bonds and 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 complete laws and the definitive forms of documents, exhibits or appendices where applicable.

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 Bonds will be issued in the aggregate principal amount of \$65,350,000. The Bonds will be dated as of their date of issuance and will bear interest from their dated date, payable on October 1, 2015, and semiannually thereafter on April 1 and October 1 of each year to maturity or prior redemption. 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 inside cover of this Official Statement.

The Bonds will initially be issued in book-entry only form in the denomination 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 securities 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 is the registered owner of the Bonds, all payments on the Bonds will be made directly to DTC, and disbursements of such payments to the Beneficial Owners of the Bonds will be the responsibility of the DTC Participants, as more fully described in “Book-Entry System” under this heading.

Optional Redemption

The Bonds maturing on or after October 1, 2026, are subject to redemption, either as a whole or in part in any order of maturity selected by the University, on any date selected by the University, on or after October 1, 2025, prior to their respective maturities, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption.

Mandatory Redemption

Unless previously redeemed pursuant to the foregoing optional redemption provisions, the Bonds maturing on October 1, 2039, 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, 2039

<u>Year</u>	<u>Sinking Fund Requirement</u>
2038	\$4,545,000
2039*	4,780,000

* Final Maturity.

Notice of Redemption

The Trustee is required to give notice of redemption of Bonds not more than 60 days and at least 30 days prior to the redemption date to the respective registered owners of Bonds designated for redemption by first class mail at their addresses appearing on the bond register.

So long as the Bonds are registered in the name of DTC or its nominee, the Trustee will give notice of redemption only to DTC and not to beneficial owners of the Bonds. See “Book-Entry System” under this heading.

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 such Bonds. Failure by the Trustee to deliver notice of redemption of the Bonds at the times required in the Indenture will not impair the ability of the Trustee and the University to effect such redemption.

Effect of Notice of Redemption

Notice having been given in the manner provided as described above, the Bonds or portions thereof so called for redemption will become due and payable on the redemption date so designated at the redemption price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office

specified in such notice, such Bonds, or portions thereof, are to be paid at the redemption price, plus interest accrued and unpaid to the redemption date. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like maturity to be redeemed, together with interest to the redemption date, are held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been mailed as described above (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 maturity so called for redemption will cease to accrue and become payable. If said moneys are not so available on the redemption date, such Bonds or portions thereof will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Partial Redemption

If less than all of the Bonds of like maturity are called for redemption, the particular Bonds or portions of Bonds to be redeemed are to be selected by lot by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate.

Purchase of Bonds

The Trustee is required, upon direction of the University, to purchase Bonds offered the University at prices deemed acceptable to the University. No purchase of Bonds may be made by the Trustee within the period of 45 days next preceding any date on which such Bonds are subject to redemption. The principal amount of any term Bond purchased is to be credited against the scheduled redemption of such term Bond in the manner designated by the University.

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 securities 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 for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds 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. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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.

USE OF BOND PROCEEDS

The Bonds will be issued to pay a portion of the costs of constructing a new Combined Heat and Power Plant (the “2015 Project”), to pay capitalized interest on the Bonds, to provide funds to satisfy the Reserve Requirement, and to pay costs of issuing the Bonds, including the Underwriters’ discount.

Table 1: Sources and Uses of Bond Proceeds

Sources:	
Bond Principal	\$65,350,000
Original Issue Premium	9,296,101
Total Sources	<u>\$74,646,101</u>
Uses:	
Deposit to Construction Account	\$70,000,000
Deposit to Capitalized Interest Account ⁽¹⁾	2,323,556
Deposit to Reserve Fund	1,825,715
Costs of Issuance ⁽²⁾	496,830
Total Uses	<u>\$74,646,101</u>

(1) Represents capitalized interest on the Bonds to April 1, 2016.

(2) Includes Underwriters’ discount, legal, financial advisory, Trustee, and rating agency fees, printing, and other costs associated with the issuance of the Bonds.

The 2015 Project will provide electricity, heating and cooling to three million square feet of academic, research, office and housing space on the University of Alaska Fairbanks campus in Fairbanks, Alaska. The 2015 Project includes installation of a new coal-fired boiler and a steam turbine with controlled extraction ports for providing low pressure steam to heat buildings and produce 17 megawatts of electricity. The existing power plant will remain, but the existing coal boilers dating to 1964, which have reached the end of their useful life, the existing coal handling system and the existing ash handling equipment will be decommissioned. Two existing smaller-sized diesel boilers will continue to serve as back up.

The 2015 Project is designed to use circulating fluidized bed technology, which is more efficient than the stoker technology currently in use. The University expects the 2015 Project to provide improved operating performance, reduce operating costs and reduce regulated emissions, including a two-thirds decrease in particulates. The new boiler can also be equipped to burn approximately 15 percent biomass as well as other solid fuels.

The 2015 Project site has undergone pre-excavation preparation. A Phase I environmental assessment revealed minor contamination that has been remediated. The University obtained an air quality permit for the 2015 Project from the State Department of Environmental Conservation in April 2014.

The boiler contract was awarded in September 2014 and the steam turbine contract was awarded in January 2015. Site excavation is expected to commence in July 2015, with major construction commencing in March 2016. The 2015 Project is expected to commence operating in November 2018.

In 2014, the State Legislature approved funding for the 2015 Project with an estimated cost of \$245,000,000. The sources of funding, as approved by the State Legislature, consist of the following:

- \$70,000,000 The Bonds;
- \$74,500,000 State capital appropriations, all of which has been appropriated to the University;
- \$13,000,000 State operating appropriations, of which \$7,000,000 has been appropriated to the University and \$6,000,000 is included in the Fiscal Year 2016 operating budget that the State Legislature has transmitted to the Governor for signature (see “STATE APPROPRIATIONS TO THE UNIVERSITY”); and
- \$87,500,000 A loan to the University by the Alaska Municipal Bond Bank Authority (the “Bond Bank”) (see “SECURITY FOR THE GENERAL REVENUE BONDS – Bond Bank Loan”).

SECURITY FOR THE GENERAL REVENUE 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. The University is authorized to issue revenue bonds with the approval of the Board of Regents. The State Legislature must approve, by law, a project financed by obligations (other than refunding obligations) with annual debt service payments that are anticipated to exceed \$2.5 million. Pursuant to Senate Bill 218 enacted in the 2014 legislative session, the State Legislature authorized the issuance of the Bonds and the loan to be financed by the Bond Bank (the “Bond Bank Loan”). See “Bond Bank Loan” under this heading.

The Bonds are authorized pursuant to a Board Resolution adopted by the Board of Regents on June 5, 2015, and are issued pursuant to the Indenture. Since 1992, the University has issued eighteen series of General Revenue Bonds totaling \$302.4 million, of which \$132.2 million were outstanding as of June 1, 2015. Upon issuance of the Bonds, \$197.5 million of General Revenue Bonds will be outstanding.

Limited Obligations

The Bonds are limited obligations of the University and do not constitute an indebtedness or other liability of the State of Alaska or any political subdivision thereof, except the University. 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 faith and credit nor the taxing power of the State of Alaska or any political subdivisions thereof is pledged for the payment of the Bonds.

Revenues

Pursuant to the Indenture, the Revenues, and all of the money, 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 General Revenue Bonds, 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” 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: (i) governmental appropriations, other than for the items specified above; (ii) gifts, donations, and endowment earnings; (iii) investment earnings, other than earnings on funds held under the Indenture; and (iv) revenues from trust land required to be deposited in the Land Grant Endowment Trust Fund pursuant to Alaska Statute 14.40.400.

The State Legislature makes an annual appropriation to the University that authorizes the University to spend Revenues and other gifts, grants and income that the University receives. See “STATE APPROPRIATIONS TO THE UNIVERSITY.” 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 the pledge is made, and that the property so pledged is immediately subject to the lien of such pledge without 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 has agreed in the Indenture to pay its general expenses from legislative appropriations made from the State’s General Fund before paying operating expenses from the Revenue Fund. Amounts are to be paid out of the Revenue Fund into the Debt Service Fund to the extent necessary, at least five Business Days before each payment date for the General Revenue Bonds, for the payment of debt service on the General Revenue Bonds and amounts are to be paid out of the Revenue Fund into the Reserve Fund to the extent necessary so that the amount therein equals the Reserve Requirement.

Table 2: Revenues Pledged to General Revenue Bonds

For Fiscal Years Ending June 30
(\$000s)

	2010	2011	2012	2013	2014
Student Tuition and Fees, net	\$ 106,340	\$ 116,104	\$ 123,971	\$ 127,055	\$ 125,104
Facilities and Administrative Cost Recovery	33,087	33,737	32,395	31,677	30,375
Sales and Services of Educational Depts.	4,073	4,215	4,573	4,445	4,872
Other Sources, Net of Gifts ⁽¹⁾	14,457	16,896	14,120	15,235	15,480
Auxiliary Enterprises, net	39,225	39,265	41,523	41,963	39,518
Total Revenues	\$ 197,182	\$ 210,217	\$ 216,582	\$ 220,375	\$ 215,349
Fiscal Year Debt Service	\$ 9,132	\$ 9,192	\$ 10,029	\$ 13,814	\$ 14,058
Coverage	21.6x	22.9x	21.6x	16.0x	15.3x

(1) Gifts are excluded from Revenues pledged for payment of the 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 General Revenue Bonds, or (ii) such lesser amount as is required to maintain the tax-exempt status of the General Revenue 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. Upon the issuance of the Bonds, the Reserve Requirement will be \$8,928,160 and will be fully funded with cash and investments. See "USE OF BOND PROCEEDS."

The Sixteenth Supplemental Trust Indenture authorized an amendment to the Trust Indenture that eliminated the establishment and maintenance of the Reserve Fund and related funding obligation. The effective date of this amendment is when all General Revenue Bonds issued prior to the General Revenue and Refunding Bonds, 2013 Series S, cease to be outstanding. Thereafter, the Bonds will cease to be secured by the Reserve Fund. See "Indenture Modifications and Amendments" under this heading.

Rate Covenant

The Indenture provides 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, including the Cost of Acquisition or Construction necessary to complete a Project, upon delivery to the Trustee of a certificate 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 General Revenue 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 part or all of outstanding General Revenue Bonds upon, among other things, delivery of a certificate of the University that either (i) the Aggregate Debt Service in any Fiscal Year will not be increased as a result of such refunding or (ii) 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 General Revenue 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 and is not subject to acceleration.

Bond Bank Loan

The sources of funding for the 2015 Project include proceeds of the Bonds and the Bond Bank Loan of \$87,500,000. See “USE OF BOND PROCEEDS.” The University expects to secure payment of the Bond Bank Loan by the issuance of its General Revenue Bonds, 2015 Series U (the “Series U Bonds”). The Series U Bonds are to be issued as Additional Bonds under, and subject to, the terms of the Trust Indenture, as supplemented, secured by a lien on the Revenues on a parity with the Bonds and the outstanding General Revenue Bonds. The University expects the Series U Bonds to bear fixed rates of interest and to mature no later than 2044. The University expects that interest on the Series U Bonds will be capitalized to April 1, 2016. The Bond Bank is to be the registered owner of the Series U Bonds. The University expects to issue the Series U Bonds and to close the Bond Bank Loan in September 2015.

The Bond Bank is authorized by statute to intercept funds from any department or agency of the State that is custodian of money payable to a political subdivision of the State that is in default on an obligation to the Bond Bank. Any such department or agency is required to withhold the payment of the money from the political subdivision and pay over the money to the Bond Bank for the purpose of paying the obligation. As a consequence, if the University defaulted on the Bond Bank Loan, any department or agency of the State that held money in custody for the University would be required upon written notice from the Bond Bank to withhold such money sufficient to cure the default and pay it directly to the Bond Bank. See “STATE APPROPRIATIONS TO THE UNIVERSITY.”

The University does not expect a delay in closing the Bond Bank Loan to adversely affect the construction schedule of the 2015 Project. The University expects that proceeds of the Bonds, together with prior appropriations received from the State to fund construction of the 2015 Project, are sufficient to fund construction draws through approximately January 2017.

Other Obligations

In 1997, the University issued a \$30 million note payable to Alaska Housing Finance Corporation (“AHFC”) to construct a 558-bed suite-style housing and food service addition in Anchorage that opened in 1998. Under the loan agreement pursuant to which the note was issued, the obligation to repay the loan is an unsecured, absolute, unconditional, and unlimited general obligation of the University. The University has not pledged the Revenues to make any of the payments required under the loan agreement. The University refinanced the AHFC loan (with an outstanding balance of \$12,398,196) on June 1, 2015. Simultaneously with the refinancing, the University borrowed an additional \$2,500,000 from AHFC, with an option to borrow an additional \$4,500,000 over the next two years, to finance student housing improvements and the acquisition of University-affiliated housing.

In 2012, Community Properties Alaska, Inc., an Alaska nonprofit corporation, issued \$25 million of bonds (the “CPA Bonds”) secured by a long-term lease with the University for construction of a new dining facility on the Fairbanks campus. Under the terms of the lease, the University is obligated to pay base rent equal to debt service on the CPA Bonds. The obligation of the University to pay base rent is not subject to abatement in the event of damage or destruction of the facility. The University’s obligation to pay rent is secured by University Receipts, subject to annual appropriations and subordinate to the lien on Revenues that secures the General Revenue Bonds, including the Bonds and the Series U Bonds to be issued to secure the Bond Bank Loan. For a description of University Receipts, see “STATE APPROPRIATIONS TO THE UNIVERSITY.” As of June 1, 2015, the University’s obligation under the lease is outstanding in the amount of \$26,076,821.

See Table 4: Schedule of Long-Term Debt.

Payment Record

The University has never defaulted on the payment of principal of or interest on its obligations for borrowed money, nor has the University ever incurred indebtedness for the purpose of preventing an impending default.

Future Indebtedness

The University expects to issue the Series U Bonds in September 2015 and expects to borrow an additional \$4.5 million from AHFC over the next two years to finance student housing improvements on the Anchorage campus. In addition, the University periodically reviews its outstanding indebtedness for refunding opportunities to realize a reduction in debt service expense, and may issue bonds in future for purposes of refunding outstanding debt for savings if market conditions warrant.

Table 3: Combined Debt Service on General Revenue Bonds and Other Indebtedness

Fiscal Year	Outstanding General Revenue Bond Debt	The Bonds			Total General Revenue Bond Debt Service	Other Indebtedness ⁽¹⁾	Total
	Service	Principal	Interest	Total			
2016	\$ 14,063,661	\$ -	\$ 2,323,556	\$ 2,323,556	\$ 16,387,217	\$ 3,302,982	\$ 19,690,199
2017	13,998,489	-	3,267,500	3,267,500	17,265,989	3,223,778	20,489,767
2018	13,925,266	-	3,267,500	3,267,500	17,192,766	3,183,321	20,376,087
2019	12,948,194	1,670,000	3,225,750	4,895,750	17,843,944	3,057,512	20,901,456
2020	12,946,831	1,760,000	3,140,000	4,900,000	17,846,831	2,941,817	20,788,648
2021	12,956,569	1,850,000	3,049,750	4,899,750	17,856,319	2,890,948	20,747,267
2022	12,800,569	1,945,000	2,954,875	4,899,875	17,700,444	2,885,275	20,585,719
2023	12,442,238	2,040,000	2,855,250	4,895,250	17,337,488	2,881,875	20,219,363
2024	11,222,781	2,145,000	2,750,625	4,895,625	16,118,406	2,884,350	19,002,756
2025	10,357,206	2,255,000	2,640,625	4,895,625	15,252,831	2,882,350	18,135,181
2026	10,137,819	2,375,000	2,524,875	4,899,875	15,037,694	2,882,275	17,919,969
2027	10,128,994	2,495,000	2,403,125	4,898,125	15,027,119	2,879,375	17,906,494
2028	7,713,194	2,620,000	2,275,250	4,895,250	12,608,444	1,449,539	14,057,983
2029	4,302,128	2,755,000	2,140,875	4,895,875	9,198,003	1,375,475	10,573,478
2030	3,236,156	2,900,000	1,999,500	4,899,500	8,135,656	1,378,250	9,513,906
2031	3,231,538	3,045,000	1,850,875	4,895,875	8,127,413	1,373,591	9,501,004
2032	2,647,006	3,200,000	1,694,750	4,894,750	7,541,756	1,372,731	8,914,487
2033	2,647,588	3,365,000	1,530,625	4,895,625	7,543,213	1,371,091	8,914,304
2034	1,130,038	3,540,000	1,358,000	4,898,000	6,028,038	1,369,675	7,397,713
2035	288,731	3,720,000	1,176,500	4,896,500	5,185,231	1,368,175	6,553,406
2036	289,631	3,910,000	985,750	4,895,750	5,185,381	1,370,175	6,555,556
2037	-	4,110,000	785,250	4,895,250	4,895,250	1,370,575	6,265,825
2038	-	4,325,000	574,375	4,899,375	4,899,375	1,369,375	6,268,750
2039	-	4,545,000	352,625	4,897,625	4,897,625	1,364,388	6,262,013
2040	-	4,780,000	119,500	4,899,500	4,899,500	1,365,713	6,265,213
2041	-	-	-	-	-	1,360,725	1,360,725
2042	-	-	-	-	-	1,364,338	1,364,338
2043	-	-	-	-	-	1,361,463	1,361,463
2044	-	-	-	-	-	1,357,188	1,357,188
2045	-	-	-	-	-	1,444,850	1,444,850
Total ⁽²⁾	<u>\$ 173,414,626</u>	<u>\$ 65,350,000</u>	<u>\$ 51,247,306</u>	<u>\$ 116,597,306</u>	<u>\$ 290,011,933</u>	<u>\$ 60,683,174</u>	<u>\$ 350,695,108</u>

(1) Other indebtedness includes the note payable to AHFC, payments on the University’s long-term lease that secures the CPA Bonds and payments on outstanding installment contracts. See Table 4 and “Other Obligations” under this heading.

(2) Totals may not foot due to rounding.

Source: University of Alaska Fund Accounting.

Table 4: Schedule of Long-Term Debt
(as of June 1, 2015)

	Interest Rates	Interest Payment Dates	Issue Date	Final Maturity Date	Amount Issued	Outstanding
Installment Contracts	2.78-4.77%	Quarterly	Various	7/15/2020	\$ 5,778,898	\$ 1,218,356
AHFC Note ⁽¹⁾	3.395%	8-1/2-1	6/1/2015	2/1/2028	\$ 14,898,196	\$ 14,898,196
Capital Lease ⁽²⁾	3.420%	10-1/4-1	12/19/2012	10/1/2044	\$ 24,507,618	\$ 26,076,821
General Revenue Bonds ⁽³⁾						
2005 Series N	3.00-5.00%	10-1/4-1	8/31/2005	10/1/2022	\$ 24,355,000	\$ 6,465,000
2008 Series O	3.375-4.25%	10-1/4-1	1/31/2008	10/1/2033	23,795,000	16,665,000
2009 Series P	2.00-5.00%	10-1/4-1	12/8/2009	10/1/2023	11,696,000	7,215,000
2011 Series Q	2.00-5.00%	10-1/4-1	10/5/2011	10/1/2032	48,870,000	42,665,000
2012 Series R	2.50-5.00%	10-1/4-1	3/14/2012	10/1/2030	32,805,000	30,755,000
2013 Series S	3.00-5.00%	10-1/4-1	3/13/2013	10/1/2035	31,020,000	28,420,000
					<u>\$172,541,000</u>	<u>\$132,185,000</u>
Total Long-Term Debt					<u>\$217,725,712</u>	<u>\$174,378,373</u>

(1) On June 1, 2015, the University refinanced an existing AHFC note and borrowed an additional \$2,500,000. See “Other Obligations” under this heading.

(2) Represents the present value of future payments on the University’s long-term lease that secures the CPA Bonds. Under generally accepted accounting principles, the present value of the lease payments is recorded as a liability on the University’s statement of net assets. The present value of the lease payments increased from the date of issuance of the CPA Bonds until August 1, 2014, the date to which interest on the CPA Bonds was capitalized. See Table 3 and “Other Obligations” under this heading.

(3) Does not include the Bonds or the Series U Bonds to be issued to secure the Bond Bank Loan. See “SECURITY FOR THE GENERAL REVENUE BONDS – Bond Bank Loan.”

Source: University of Alaska Fund Accounting.

Indenture Modifications and Amendments

The Indenture authorizes modifications of, and amendments to, any provision set forth in the Indenture by the terms of a Supplemental Indenture, with such modifications and amendments becoming effective, in certain cases, only after all General Revenue Bonds of each series outstanding as of the date of such Supplemental Indenture cease to be outstanding.

The Sixteenth Supplemental Indenture (2013 Series S) authorized the following modifications to, and amendments of, the Indenture: (i) eliminated the establishment and maintenance of the Reserve Fund and related funding obligations, (ii) allowed certain amendments and modifications to the Indenture to become effective upon securing the consent of the Owners of at least a majority of principal amount of General Revenue Bonds then outstanding and to provide that consent of an Owner of General Revenue Bonds may be revoked unless such consent by its terms is made irrevocable, and (iii) established that consent of Owners of General Revenue Bonds, when required under the terms of the Indenture, specifically includes the consent of an underwriter or purchaser of a series of General Revenue Bonds at the time such General Revenue Bonds are issued.

These modifications and amendments to the Indenture will become effective after all General Revenue Bonds issued prior to the General Revenue and Refunding Bonds, 2013 Series S, cease to be outstanding and compliance by the University with certain requirements set forth in the Indenture, at which time these

modifications and amendments will apply to the Bonds and govern the rights and obligations of the owners thereof.

The Indenture also authorizes the use of a supplemental indenture to make certain modifications to the Indenture that provide limitations and restrictions in addition to those set forth in the Indenture. These modifications become effective in accordance with the terms of such supplemental indenture upon approval by the University, the filing with the Trustee of a copy of the University's approval, and the execution and delivery of such supplemental indenture by the University and Trustee.

For purposes of, and only relating to, the Bonds, the Seventeenth Supplemental Indenture modifies Section 1102(iii) of the Indenture to require that any modification or amendment to the terms of Sinking Fund Installments with respect to the Bonds, if any, requires the written consent of the Owners of each of the Bonds and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given. All other terms and conditions set forth in Section 1102 remain unchanged, subject to those certain modifications and amendments to the Indenture, effective when all General Revenue Bonds issued prior to March 1, 2013 cease to be Outstanding.

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 many extension and research sites. The University was established in Fairbanks 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 State Constitution. The University has expanded to include full-service universities in Anchorage, Fairbanks and Juneau; lower division college centers in Bethel, Dillingham, Ketchikan, Kodiak, Kotzebue, Nome, Palmer, Sitka, Soldotna, and 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 of the State for overlapping terms of eight years, subject to confirmation by the State Legislature. In 2010, the Board of Regents appointed the then President of Alaska Railroad Corporation Patrick K. Gamble as the 13th president of the University. Chancellors head the major regional instructional units: the University of Alaska Anchorage, the University of Alaska Fairbanks, and the University of Alaska Southeast (Juneau). 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 26 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 Ph.D. 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 65 major areas and

recognized master's degrees in professional disciplines and doctorates in the sciences and mathematics. The four colleges are the College of Liberal Arts, the College of Engineering and Mines, the College of Natural Science and Mathematics, and the College of Rural and Community Development, with the latter having branch campuses and extended sites throughout the State. The four professional schools consist of the School of Natural Resources and Agricultural Sciences, the School of Management, the School of Fisheries and Ocean Sciences, and the School of Education. These colleges and schools offer certificates and associate and baccalaureate degrees as well as a wide range of technical/vocational programs. Master's degrees are offered in over 50 fields and doctoral programs are offered in the areas of anthropology, atmospheric sciences, biology, 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 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 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.

Accreditation

The three accredited institutions of the University—University of Alaska Anchorage, University of Alaska Fairbanks, and University of Alaska Southeast—were accredited by the Northwest Commission on Colleges and Universities for seven-year periods in 2011, 2012, and 2010, respectively. 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:

Jyotsna Heckman, Chair	Kenneth J. Fisher, Secretary
Michael Powers, Vice Chair	Gloria O'Neill, Treasurer
Courtney Enright, Student Regent	Mary K. Hughes
Dale Anderson	Lisa Parker
Sheri Buretta	Andy Teuber
John Davies	

Regents 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

Ashok K. Roy, Vice President for Finance and Administration and Chief Financial Officer

Michael Hostina, General Counsel

Myron J. Dosch, Controller

Patrick K. Gamble became the 13th president of the University in 2010. Prior to joining the University, he served 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.

Mr. Gamble announced his retirement in January 2015, to become effective no later than August 31, 2015. After conducting an executive search, the Board of Regents has selected a finalist and is expected to fill the President position by August 31, 2015.

Dr. Ashok K. Roy joined the University as Vice President for Finance and Administration and Chief Financial Officer in 2012. Prior to joining the University, Dr. Roy served in senior management positions in the private sector, local government, and at three other large universities. He holds six university degrees and five professional certifications. In India, Dr. Roy earned a doctoral degree at Sardar Patel University, a Master of Arts at Utkal University, and two undergraduate degrees. In the United States, he earned a Master of Science from Indiana University and a Master of Education from the University of Tennessee at Chattanooga. Dr. Roy has authored 88 publications in academic and trade journals.

Michael Hostina was appointed General Counsel for the University in 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 Ombudsman's Office in Fairbanks from 1989 to 1995. Mr. Hostina is a graduate of Temple University Law School.

Myron J. Dosch, CPA, has served in various accounting management positions since joining the University in 1995, including his current position as Controller for the University since 2006. Prior to joining the University, Mr. Dosch performed audit and tax services for an Alaska public accounting firm. Mr. Dosch earned a Bachelor of Business Administration in Accounting from Gonzaga University and a Masters in Business Administration with an emphasis in capital markets from the University of Alaska Fairbanks.

Budget Process

The President, in collaboration with the three Chancellors and other key personnel, develops an annual budget reflective of the needs, priorities, and strategic direction of the University. The Board of Regents approves the budget and submits it to the Governor for consideration. See "STATE APPROPRIATIONS TO THE UNIVERSITY."

Tuition rates are approved by the Board of Regents, and are not subject to approval or review by the Governor or State Legislature. Student fees may be approved by the President, and do not require approval by the Board of Regents.

Faculty and Employees

The University’s faculty and staff totaled approximately 4,528 regular employees and approximately 3,902 temporary employees as of fall 2014. Members of the University’s full-time regular instructional and research faculty totaled approximately 1,466, and part-time faculty totaled approximately 1,117. For Fiscal Year 2014, total University compensation and benefits was \$506.3 million, including union-affiliated employees.

Labor Relations

The University has entered into written collective bargaining agreements with the following labor unions:

<u>Labor Union</u>	<u>Employees Covered</u>	<u>Effective Through</u>
United Academics	960	12/31/2016
University of Alaska Federation of Teachers	353	12/31/2017
Alaska Higher Education Crafts and Trades Employees	237	12/31/2016
Fairbanks Firefighters Association	10	12/31/2015
United Academics – Adjuncts	1,025	2/28/2017

The University has not experienced any strikes, slowdowns or lockouts. University officials consider all current labor relations to be satisfactory.

THE STUDENT BODY

Student Enrollment

Approximately 90% of the University’s students are residents of the State. Large enrollment management programs such as University of Alaska Scholars, the Alaska Performance Scholarship and the Alaska Education Grant benefit the University’s enrollment by retaining college-bound Alaskans in Alaska. See “University of Alaska Scholars Program” and “Alaska Performance Scholarship Program and Alaska Education Grant” under this heading. In Fiscal Year 2015, the University began the Come Home Alaska program, aimed at bringing out-of-State residents with Alaskan lineage to Alaska by offering in-State tuition. These efforts partly offset a demographic decline in Alaska high school graduates that commenced in 2009 and is projected to continue through 2017, before returning to 2009 levels in 2023. Increased recruiting efforts are underway to pursue more out-of-State students.

Table 5 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 students 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 students, 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 2010-2014 are the fall semester closing figures that are available in January following the end of the semester.

Table 5: On Campus Fall Enrollment

<u>Fall</u>	<u>Head Count</u>			<u>Full-Time Equivalent</u>			<u>Total Credit Hours Taken</u>
	<u>Under-graduate</u>	<u>Graduate</u>	<u>Total</u>	<u>Under-graduate</u>	<u>Graduate</u>	<u>Total</u>	
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
2012	30,963	2,618	33,581	17,973	1,417	19,390	285,296
2013	30,079	2,617	32,696	17,518	1,378	18,896	278,002
2014	29,128	2,394	31,522	17,032	1,268	18,300	269,337

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: 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					
2010	6,535	4,963	75.9%	3,589	72.3%
2011	6,251	4,846	77.5	3,517	72.6
2012	5,958	4,481	75.2	3,218	71.8
2013	5,988	4,740	79.2	3,171	66.9
2014	5,696	4,401	77.3	3,016	68.5
Transfer Undergraduates					
2010	3,348	2,430	72.6	1,689	69.5
2011	3,302	2,454	74.3	1,754	71.5
2012	3,388	2,356	69.5	1,592	67.6
2013	3,090	2,259	73.1	1,453	64.3
2014	3,140	2,291	73.0	1,556	67.9
Total Undergraduates					
2010	9,883	7,393	74.8	5,278	71.4
2011	9,553	7,300	76.4	5,271	72.2
2012	9,346	6,837	73.2	4,810	70.4
2013	9,078	6,999	77.1	4,624	66.1
2014	8,836	6,692	75.7	4,572	68.3
Graduate Students					
2010	1,480	683	46.1	556	81.4
2011	1,475	654	44.3	523	80.0
2012	1,472	610	41.4	499	81.8
2013	1,308	549	42.0	432	78.7
2014	1,378	563	40.9	452	80.3

Source: University of Alaska Institutional Research and Analysis.

For the following academic years ending June 30, the University awarded the following degrees and certificates:

<u>Academic Year</u>	<u>Doctorate</u>	<u>Masters</u>	<u>Baccalaureate</u>	<u>Associate</u>	<u>Certificates</u>
2010	45	622	1,498	988	447
2011	46	641	1,616	1,068	452
2012	50	650	1,612	1,108	562
2013	54	679	1,757	1,241	555
2014	52	644	1,855	1,376	731

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: Student Tuition per Credit Hour

<u>Student Classification</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16⁽¹⁾</u>
Undergraduate lower div, resident	\$147	\$154	\$165	\$168	\$174	\$183
Undergraduate upper div, resident	170	187	200	204	210	221
Undergraduate lower div, nonresident	500	542	580	600	618	649
Undergraduate upper div, nonresident	523	575	615	636	654	687
Graduate, resident	338	372	383	391	403	423
Graduate, nonresident	691	760	783	799	811	864

(1) At its February 2015 meeting, the Board of Regents approved a 5% increase to all undergraduate and graduate tuition rates, both resident and non-resident for academic year 2015-16.

Source: University of Alaska Institutional Research and Analysis.

Table 8: Average Annual Full-Time Student Tuition and Registration Fees ⁽¹⁾

<u>Student Classification</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Undergraduate, resident	\$ 5,703	\$ 6,078	\$ 6,438	\$ 6,557	\$ 6,875
Undergraduate, nonresident	16,293	17,718	18,888	19,517	20,195
Graduate, resident	9,138	9,954	10,242	10,448	10,910
Graduate, nonresident	17,610	19,266	19,842	20,240	20,702

(1) 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: Annual Student Room and Board and Total Undergraduate Educational Costs

Academic Year (fall to summer)	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Room and Board	\$ 6,960	\$ 6,960	\$ 7,200	\$ 7,450	\$ 7,912
Tuition, Fees, Books and Supplies	<u>7,103</u>	<u>7,478</u>	<u>7,838</u>	<u>7,957</u>	<u>8,275</u>
Combined Total	<u>\$14,063</u>	<u>\$14,438</u>	<u>\$15,038</u>	<u>\$15,407</u>	<u>\$16,187</u>

Source: University of Alaska Institutional Research and Analysis.

Financial Aid

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

Table 10: Summary of Financial Aid

By Aid Year: Fall – Spring – Summer Semesters
(\$000s)

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Scholarships, Grants and Awards					
Federal - Pell Grants	\$ 17,234.7	\$ 24,598.4	\$ 25,760.9	\$ 25,400.5	\$ 24,593.0
Federal - Other	2,215.4	3,178.4	2,184.7	2,146.9	2,006.3
UA Foundation	1,972.1	2,069.2	2,349.4	2,439.0	2,441.2
Institutional	11,449.4	12,090.9	13,167.3	13,741.9	14,441.1
Alaska Performance Scholarship	-	-	2,919.1	5,597.7	7,713.9
Alaska Education Grant	788.0	1,411.3	2,647.5	3,658.1	3,491.5
Other	10,775.4	11,163.9	9,627.5	10,351.3	9,757.1
Total	\$ 44,435.0	\$ 54,512.1	\$ 58,656.4	\$ 63,335.4	\$ 64,444.1
Loans					
Alaska Student Loans	\$ 6,227.5	\$ 4,302.9	\$ 1,900.2	\$ 1,487.9	\$ 1,320.9
Federal	67,937.4	76,107.0	79,384.5	74,789.1	68,642.3
Other	1,461.5	1,273.9	1,502.7	2,045.5	2,544.6
Total	\$ 75,626.4	\$ 81,683.8	\$ 82,787.4	\$ 78,322.5	\$ 72,507.8
Student Employment	\$ 20,275.5	\$ 21,738.9	\$ 22,569.2	\$ 22,467.2	\$ 21,446.9
Total Financial Aid	\$ 140,336.9	\$ 157,934.8	\$ 164,013.0	\$ 164,125.1	\$ 158,398.8

Source: University of Alaska Institutional Research and Analysis.

Section 529 College Savings Plan

In 1991, the State Legislature established the Advance College Tuition program within the University. 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 (the “Trust”) and converted the program from a prepaid tuition program to a full-range college savings and investment program. T. Rowe Price is the program manager.

The Trust offers three separately marketed 529 college savings plans: The UA College Savings Plan, marketed directly to investors within the State; 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 2001, assets under management in the program have grown from \$25 million to approximately \$6.9 billion at March 31, 2015, with over 24,000 Alaskans having established accounts in the plan.

University of Alaska Scholars Program

The University of Alaska Scholars Program (the “Program”) is a four-year scholarship given to the top 10% of graduates from qualified Alaska high schools each year. The Program offers a \$12,000 scholarship for use at any University campus. Scholars receive \$1,500 per semester for a total of eight semesters. As of fall 2014, there were 1,945 UA Scholars enrolled at the University campuses.

Alaska Performance Scholarship Program and Alaska Education Grant

Beginning in academic year 2011-2012, the State created the Alaska Performance Scholarship program administered by Alaska Commission on Postsecondary Education. This 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 per year, \$3,566 per year, and \$2,378 per year. The scholarship provides additional incentives for Alaska high school graduates to pursue higher education with the University. Table 10 shows amounts awarded to University students.

The Alaska Education Grant provides need-based financial assistance to eligible Alaska students attending qualifying postsecondary educational institutions in the State. 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 \$500 to \$4,000 per academic year for students who have qualifying unmet financial need. Table 10 shows amounts awarded to University students.

In the 2011 legislative session, the State Legislature appropriated \$400 million to a fund that would ultimately be established in the 2012 legislative session as the Alaska Higher Education Investment Fund (the “AHEIF”). The purpose of the AHEIF is to provide a source for funding the Alaska Performance Scholarship program and the Alaska Education Grant program. The Commissioner of Revenue identifies 7% of the June 30 market value of the AHEIF available each year for appropriation as follows: two-thirds for the Alaska Performance Scholarship program and one-third for the Alaska Education Grant program. The AHEIF fund balance as of June 30, 2014, was \$460.7 million.

FACILITIES AND CAPITAL PROGRAM

Physical Plant for Academic and Administrative Activities

The table below provides a summary of the physical properties of the University. Adjusted value is calculated utilizing R.S. Means “Historical Cost Index,” 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 – “Audited Financial Statements for the Fiscal Years Ended June 30, 2014 and 2013.”

<u>June</u>	<u>Original Physical Plant Cost</u>	<u>Adjusted Value</u>	<u>Square Feet</u>	<u>Buildings</u>	<u>Average Age Weighted by GSF</u>
2014	\$1.8 billion	\$3.2 billion	7.6 million	424	25.3 years

Source: University of Alaska Facilities Inventory.

Infrastructure, leasehold and other improvements have a historical cost of \$168.1 million as of June 2014.

Libraries and Museum

The extensive collection of the University’s libraries contains more than three million items, including books, periodicals, and other documents housed at Fairbanks, Anchorage, and other sites. The University’s libraries also provide access to vast digital resources. The expanded University of Alaska Museum of the North located on the Fairbanks campus opened in 2005, and has brought national and international media attention to Alaska.

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 central co-generation power plant in Fairbanks that is to be replaced by the 2015 Project, copy centers, motor pools, bookstores, health services, and telecommunication centers.

Capital Program

Major construction projects of the University are funded primarily by State capital appropriations, State-issued general obligation bonds and University revenue bonds. For Fiscal Year 2015, State capital appropriations included the funding for the 2015 Project. See “USE OF BOND PROCEEDS.” In addition, State capital appropriations included \$45.6 million and \$5.0 million for continued construction and renovation of the engineering buildings on the Anchorage and Fairbanks campuses, respectively, \$19.3 million for deferred maintenance and \$0.5 million in other projects. The deferred maintenance appropriation of \$19.3 million represented the fifth consecutive year of funding by the Governor to address such needs across State agencies. Receipt of future appropriations depends on legislative approval.

Fiscal Year 2014 capital appropriations included \$30.0 million for deferred maintenance, \$15.0 million each for continued construction of the Anchorage and Fairbanks campuses engineering buildings, and \$2.6 million for other projects.

The Board of Regents has an ongoing capital program that 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 2014 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 State Legislature. For Fiscal Year 2016, in excess of \$780 million has been identified as deferred or imminent renewal needs for the University’s approximately 7.6 million square feet of physical plant that has an adjusted gross value of approximately \$3.2 billion.

The State Legislature included \$3.0 million in capital appropriations for the University in the Fiscal Year 2016 budget transmitted to the Governor for signature. See “STATE APPROPRIATIONS TO THE UNIVERSITY.”

RETIREMENT PLANS

Substantially all regular University 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"), which is a single-employer defined contribution plan. In addition, substantially all regular University 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. For more information about the University's retirement plans, see Note 13 in Appendix A – "Audited Financial Statements for the Fiscal Years Ended June 30, 2014 and 2013."

If the University decides to terminate PERS or TRS coverage for a department, group or other classification of members, even if that termination results from the decision to divest of a particular function, all affected employees in that department, group or other classification of members become immediately vested in PERS or TRS. The University must pay to have a termination study completed to calculate the University's one-time termination costs. The costs represent the amount necessary to fully fund the costs of PERS or TRS members who become vested through this process and for other changes in actuarial assumptions, such as earlier than expected retirement, that arise from the act of termination of coverage.

PERS and TRS each include both a cost-sharing multiple-employer defined-benefit pension and post-employment healthcare plan and a defined-contribution plan. PERS and TRS plans are administered by the State Commissioner of Administration and the Alaska Retirement Management ("ARM") Board. PERS and TRS plans provide retirement benefits, including disability and death benefits, and post-employment healthcare to members and beneficiaries. The authority to establish and amend benefit provisions is assigned to the ARM Board. PERS and TRS each issue a publicly available financial report that includes financial statements and required supplementary information, which may be obtained from the State Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811.

In 2014, the State Legislature appropriated \$1 billion to reduce the unfunded actuarial accrued liability of PERS and \$2 billion to reduce the unfunded actuarial accrued liability of TRS. The State Legislature also directed the ARM Board to adopt employer contribution rates for liquidating the past service liability of PERS and TRS using a level percent of pay method over a closed term of 25 years ending in 2039, rather than the level dollar method that had been used by the ARM Board. This change in methodology resulted in significantly lower adopted employer contribution rates for Fiscal Year 2016. All of the reduction in employer contributions for Fiscal Year 2016 will be reflected in lower on-behalf payments from the State.

PERS Defined-Benefit Plan. Employees first enrolled before July 1, 2006, are enrolled in the defined-benefit plan. Active members are required to contribute 6.75% of their annual covered salary, except peace officers and firefighters, who are required to contribute 7.5%.

In 2008, the State Legislature established a salary floor as the total base salaries paid by an employer to active employees of PERS as of the Fiscal Year ended June 30, 2008. The State is required to collect minimum employer contributions based on the salary floor.

PERS requires a uniform employer contribution rate of 22% or less of active member wages, subject to the wage floor. The State is required to contribute in the event that the employer contribution rate adopted by the ARM Board, which includes a component to amortize past service liability, exceeds that rate. Any such additional contributions are currently recognized by each employer as an on-behalf payment from the State.

In September 2014, employer contribution rates were set for Fiscal Year 2016 based on assumptions and projections from the actuary designed to achieve full funding over a closed term of 25 years. The consolidated

rate for Fiscal Year 2016 was set at 27.19% for all PERS employers, compared to 44.03% for Fiscal Year 2015. Since the consolidated rate exceeds the uniform employer contribution rate of 22%, the State is required to make a 5.19% on-behalf payment for Fiscal Year 2016, compared to 22.03% for Fiscal Year 2015.

As of June 30, 2013 (the latest adopted actuarial valuation data), the PERS defined-benefit pension fund showed assets (on an actuarial valuation basis) of \$12.163 billion against total liabilities of \$19.993 billion. Assets as a percent of pension fund obligations were 60.8%, representing system-wide underfunding of \$7.830 billion. If market values for assets were used, assets as a percentage of obligations would be 62.6%. The actuarial valuations for PERS include calculations for the health insurance of retirees, which are a contractual obligation of the system.

PERS Defined-Contribution Plan. Employees first enrolled on or after July 1, 2006, are enrolled in the defined-contribution plan. Members make mandatory contributions of 8% of gross eligible compensation. State law requires the University to contribute 5% of employee's eligible compensation. In addition, the University is required to contribute 1.68% to the retiree medical plan, 0.22% for occupational and death and disability benefits, and 3.00% of the University's average annual employee compensation to the health reimbursement arrangement. The University's effective contribution rate is 22%.

TRS Defined-Benefit Plan. Employees first enrolled before July 1, 2006, are enrolled in the defined-benefit plan. Active members are required to contribute 8.65% of their annual covered salary.

TRS requires a uniform employer contribution rate of 12.56% or less of active member wages. The State is required to contribute in the event that the employer contribution rate adopted by the ARM Board, which includes a component to amortize past service liability, exceeds that rate. Any such additional contributions are currently recognized by each employer as an on-behalf payment from the State.

In September 2014, employer contribution rates were set for Fiscal Year 2016 based on assumptions and projections from the actuary designed to achieve full funding over a closed term of 25 years. The consolidated rate for Fiscal Year 2016 was set at 29.27% for all TRS employers, compared to 70.75% for Fiscal Year 2015. Since the consolidated rate exceeds the uniform employer contribution rate of 12.56%, the State is required to make a 16.71% on-behalf payment for Fiscal Year 2016, compared to 58.19% for Fiscal Year 2015.

As of June 30, 2013 (the latest adopted actuarial valuation data), the TRS defined-benefit pension fund showed assets (on an actuarial valuation basis) of \$4.974 billion against total liabilities of \$9.592 billion. Assets as a percent of pension fund obligations are 51.9%, representing system-wide underfunding of \$4.618 billion. If market values for assets were used, assets as a percentage of obligations would be 53.6%. The actuarial valuations for TRS include calculations for the health insurance of retirees, which are a contractual obligation of the system.

TRS Defined-Contribution Plan. Employees first enrolled on or after July 1, 2006, are enrolled in the defined-contribution plan. Members make mandatory contributions of 8% of gross eligible compensation. State law requires the University to contribute 7% of employee's eligible compensation. In addition, the University is required to contribute 2.04% to the retiree medical plan and 3.00% of the University's average annual employee compensation to the health reimbursement arrangement. The University's effective contribution rate is 12.56%.

University and State Contributions. The University contributed \$67.6 million and \$65.9 million to its retirement and pension plans during Fiscal Year 2014 and 2013, respectively, not including on-behalf payments made by the State. In 2014 and 2013 the State made payments totaling \$32.9 million and \$33.0 million directly to the retirement plans on-behalf of the University.

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 as a State agency for the purposes of budget and fiscal control. However, unlike State agencies, the University has a separate accounting system, maintains its own treasury functions, collects its own revenues, invests its funds, and makes its own disbursements. All revenues are received directly into the University's treasury.

Annual authorization to spend University Receipts (defined by statute to include receipts that comprise Revenues as well as federal receipts, gifts, grants, and endowment earnings) is made by the State Legislature under the appropriation category entitled "University of Alaska Restricted Receipts." University Receipts are accounted for separately and appropriations are not made from the unrestricted General Fund of the State. The appropriation of University Receipts is separate and distinct from the general operating appropriation. University Receipts in excess of expenditures may be expended by the University in the next Fiscal Year subject to State appropriation.

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 authorizations are received from the State on a monthly basis at approximately one-twelfth of the annual operating authorization. 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 lapse after five years unless extended. State-funded capital appropriations are generally received on a reimbursement basis.

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, 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 State Legislature can restrict any appropriation to a specified use, the annual operating appropriations for the University are typically very broad in scope and contain few, if any, restrictions other than that 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.

Once enacted by both houses of the State Legislature, appropriations bills are delivered to the Governor for signature. An appropriation bill becomes law if (i) while the State Legislature is in session, the Governor neither signs nor vetoes it within 15 days (Sundays excepted) after delivery, or (ii) while the State Legislature is not in session, the Governor neither signs nor vetoes it within 20 days (Sundays excepted) after delivery.

The Governor may veto or reduce the amount of an appropriation (a "line-item veto"), but has no authority to increase or to change the legislative intent or purpose of an appropriation. The State Legislature may override a veto of an appropriation by the Governor by a three-fourths vote of the membership. If the Governor vetoes an appropriation during a regular session of the State Legislature, the State Legislature is required to meet immediately in joint session and reconsider passage of the vetoed appropriation. If the Governor vetoes an appropriation after adjournment of the first regular session of the State Legislature, the State Legislature is required to reconsider the appropriation no later than the fifth day of the next regular or special session. If the Governor vetoes an appropriation after adjournment of the second regular session of the State Legislature, the

State Legislature is required to reconsider the appropriation no later than the fifth day of a special session, if one is called.

Table 11: Summary of State Appropriations

For Fiscal Years Ending June 30
(\$000s)

	<u>2011</u> ⁽¹⁾	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u> ⁽²⁾
Operating:						
General Operating Bill	\$335,296	\$346,672	\$357,658	\$370,577	\$369,944	\$345,058
Separate/Special Legislation ⁽³⁾	<u>11,348</u>	<u>11,769</u>	<u>13,393</u>	<u>15,310</u>	<u>13,554</u>	<u>10,656</u>
Total	<u>\$346,644</u>	<u>\$358,441</u>	<u>\$371,051</u>	<u>\$385,887</u>	<u>\$383,498</u>	<u>\$355,714</u>
Capital:						
Capital Expenditures – New	\$219,000	\$ 34,000	\$108,900	\$ 30,000	\$125,100	\$ –
Revitalization, Facility Renewal, Deferred Maintenance	39,550	45,504	37,950	30,000	19,273	3,000
Separate/Special Legislation	<u>–</u>	<u>–</u>	<u>8,040</u>	<u>2,589</u>	<u>570</u>	<u>–</u>
Total	<u>\$258,550</u>	<u>\$ 79,504</u>	<u>\$154,890</u>	<u>\$ 62,589</u>	<u>\$144,943</u>	<u>\$ 3,000</u>

(1) In 2011, \$207 million of the \$219 million capital appropriation represents capital expenditures that are funded from State general obligation bonds. See “CAPITAL PROGRAM.”

(2) The State Legislature transmitted the Fiscal Year 2016 capital and operating budget legislation to the Governor for signature on June 11, 2015. The Governor is expected to sign the budget legislation but has not yet done so.

(3) Fiscal Years 2011 and 2012 each include approximately \$1.4 million, and Fiscal Years 2013, 2014, and 2015 each include approximately \$1.2 million in appropriations for reimbursement of a portion of the debt service on the then-outstanding General Revenue Bonds in accordance with Alaska Statute 14.40.257.

Source: University of Alaska.

The State operating appropriations for Fiscal Years 2011-2014 do not include payments of \$21.8 million, \$27.8 million, \$33.0 million, and \$32.9 million, respectively, which the State made directly to PERS and TRS on-behalf of the University. These payments are made pursuant to State legislation intended to reduce the unfunded liabilities of PERS and TRS. Similar payments are being made for Fiscal Year 2015 and are required annually in accordance with current State law. See “RETIREMENT PLANS.”

In Fiscal Year 2014, the State derived approximately 88% of its general fund unrestricted revenue from the production of petroleum. The State prepares official revenue forecasts for planning and budgetary purposes twice per year in the Department of Revenue, Tax Division’s Revenue Sources Book. The State has forecasted in its Spring 2015 Revenue Sources Book that general fund unrestricted revenue in Fiscal Year 2015 will be \$2.2 billion, a \$0.4 billion decrease from the \$2.6 billion the State forecasted in its Fall 2014 Revenue Sources Book, and a \$3.2 billion, or 59%, decrease from the \$5.4 billion the State received in Fiscal Year 2014. The decline in forecasted general fund unrestricted revenue is attributable primarily to a decrease in the price per barrel of oil produced on Alaska’s North Slope from \$107.57 in Fiscal Year 2014 to a Fall 2014 Revenue Sources Book forecast of \$76.31 and a Spring 2015 Revenue Sources Book forecast of \$67.49. The price is forecasted to decline an additional 2% in Fiscal Year 2016 to \$66.03 before increasing 31% in Fiscal Year 2017 to a projected price of \$77.04.

The State operating budget for Fiscal Year 2016 has been partially approved through the April 2015 passage of House Bill 72 which authorized approximately \$5.1 billion of unrestricted general fund spending, but

was accompanied by only approximately \$2.1 billion of spending authority. The Governor line-item vetoed approximately \$3.0 billion of the authorizations in House Bill 72 to bring spending and revenues into alignment. The Legislature subsequently approved House Bill 2001 during a second special session that ended on June 11, 2015 approving an additional \$3.1 billion of spending authority. The Governor is expected to sign House Bill 2001 following its transmission. The budget includes approximately \$2.0 billion of general fund unrestricted revenue and \$5.2 billion of spending. The \$3.2 billion difference is made up by a withdrawal from the State's constitutional budget reserve, which required a three-quarters vote of the House and of the Senate to access.

In its Fall 2014 Revenue Sources Book, the State forecasted that the constitutional budget reserve balance of \$9.6 billion available in Fiscal Year 2015 would, under the assumptions set forth in the Fall 2014 Revenue Sources Book, be depleted by the end of Fiscal Year 2021. As of June 30, 2014, the balance in the State's permanent fund earnings reserve account, which requires a majority vote of the House and of the Senate to access, was \$6.2 billion.

The Fiscal Year 2016 budget decreased the operating appropriation to the University by \$27.8 million, or 7.2%, from Fiscal Year 2015. In response, the University has proposed several cost-saving measures, including the elimination or suspension of several low-enrollment programs at the Fairbanks campus.

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 of operating funds consists of cash, cash equivalent investments or high-quality, short-term fixed-income investments.

Current investment guidelines adopted in 2012 provide for three "buckets": daily, contingent, and core. The investment structure is divided into three buckets for purposes of assuring sufficient liquidity and income maximization. Investments in the daily bucket provide sufficient daily liquidity for University operations, generally accomplished through the local depository bank with overnight deposit facilities or through a treasury management platform utilizing money market funds. The daily bucket is intended to have a maximum weighted asset maturity of 90 days. The contingent bucket is intended to provide sufficient reserves in case of unanticipated liquidity needs and an incremental return over the daily bucket, generally accomplished through a treasury management platform utilizing money market funds. The contingent bucket is intended to have a maximum weighted asset maturity of 18 months and an expected duration of less than one year. Investments in the core bucket are intended to provide capital preservation and income maximization within reasonable levels of risk. Core funds are not expected to be needed for operations, but must be able to provide additional liquidity, if needed, and may be designated as held-to-maturity. The core bucket is intended to have an expected duration at time of purchase of no greater than four years, and no individual purchase may have a legal maturity in excess of five years.

The University's Chief Investment Officer sets the initial balances for the liquidity buckets, adjusts those balances to meet the liquidity requirements of the University, and designates all or a portion of the core funds as held-to-maturity. Balances in the daily and contingency buckets may change regularly as the University meets day-to-day obligations.

Current investment guidelines do not provide for investment in equities. The average credit rating of any separately managed account portfolio is required to be no lower than A by Standard and Poor's and A2 by Moody's.

At March 31, 2015, the University had operating investments totaling \$188.9 million, comprised of the following: cash, savings, certificates of deposit, overnight repurchase agreement, and money market investments totaling \$55.6 million; fixed income bonds held in a short-term contingency pool totaling \$78.7 million maturing in eight months or less; and \$54.6 million in fixed income bonds held in a longer term core pool maturing in five years or less. The University's fixed income bonds include corporate bonds, U.S. Treasury bonds, and Federal agency bonds that are held in the name of the University. The money market mutual funds are all rated AAA or the equivalent.

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 (the "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 described in Section 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. Additional information regarding the Foundation, including audited financial statements, is available at www.alaska.edu/foundation.

The Foundation is legally separate and distinct from the University and is governed by its own board of trustees. This 20- to 30-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. A separately appointed Investment Committee has authority for setting investment policy, guidelines, and philosophy, and approving asset allocation targets and benchmarks. The Investment Committee has delegated authority to an investment firm for manager selection and termination, management of cash flows to and from investments of the partnership, due diligence on underlying managers and investments, and performance reporting. Most scholarship, endowment, and other privately established funds to benefit the University are under the care of the Foundation.

In 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 Investment Committee under an agreement between the Foundation and the University, and each year a separate financial statement and audit is made of the Consolidated Endowment Fund.

In 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 – 0.5% 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
(\$000s)

	2010	2011	2012	2013	2014
Revenues, gains and other support					
Donations and Bequests	\$ 15,942	\$ 15,801	\$ 17,829	\$ 14,462	\$ 20,328
Investment income	1,955	2,403	1,725	830	1,296
Net realized and unrealized gains and losses	7,174	17,383	(1,022)	13,440	18,391
Other (includes transfers from the University)	1,483	1,602	1,783	1,850	1,963
Actuarial adjustment of remainder trust obligations	(99)	299	(69)	347	325
Total	\$ 26,455	\$ 37,488	\$ 20,246	\$ 30,929	\$ 42,303
Distributions to the University	\$ 13,290	\$ 13,729	\$ 13,916	\$ 16,003	\$ 13,132
Net Assets:					
Unrestricted	\$ 33,832	\$ 23,424	\$ 23,592	\$ 24,991	\$ 26,800
Temporarily restricted	62,732	79,551	78,014	85,444	106,689
Permanently restricted	72,310	87,024	92,197	95,854	99,333
Total Net Assets	\$ 168,874	\$ 189,999	\$ 193,803	\$ 206,289	\$ 232,822

Source: University of Alaska Foundation Audited Financial Statements.

The estimated fair value of the Foundation's investments with annual or less frequent redemption periods as of June 30, 2014, totaled \$28.5 million, representing 16% of the Foundation's investment in the Consolidated Endowment 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 60 to 90 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.

The endowment spending allowance policy is structured to help maintain the endowments in perpetuity, preserve their purchasing power and stabilize the flow of support for the purposes of the respective endowments. A Viability Ratio (accumulated earnings divided by the total endowment value) is calculated for each endowment. The Viability Ratio provides a measure of the financial health of each endowment and gives an indication of the endowment's ability to continue making distributions to the beneficiary during market down cycles and for the life of the endowment. The maximum spending rate is 4% of the average of the market values of the endowment at December 31 for the immediately preceding five years. If the annual spending allowance calculation exceeds 4% of the historic gift value of the endowment, the increase in the spending allowance over the prior year is

limited to an inflation adjustment of 2%. The spending rate is limited to 2% for endowments with negative Viability Ratios. No spending allowance is provided for endowments with a Viability Ratio lower than negative 20%.

Endowment Funds

As of June 30, 2014, the University held financial and real estate endowment net assets of \$194.6 million separate from the Foundation. Of this amount \$192.0 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 Foundation, authorized the Foundation to manage the trust funds in accordance with that policy.

Land Grant Trust Fund 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 were 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. 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, 2014, approximately 82,223 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: (i) that a portion of the annual earnings will be utilized to manage the University's lands, (ii) that a portion of the annual earnings will be set aside to maintain the purchasing power of the endowment funds, and (iii) that 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 4.5% 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: Endowment Fund – Summary Financial Information

Endowment Fund - Summary Financial Information					
For Fiscal Years Ending June 30					
(\$000s)					
	2010	2011	2012	2013	2014
Annual Endowment Distribution	\$ 5,641	\$ 5,671	\$ 5,497	\$ 5,260	\$ 5,627
Land Grant Trust Assets					
Cash and Investments	\$ 115,619	\$ 126,667	\$ 126,549	\$ 135,959	\$ 147,753
Land Sale Receivables	4,189	5,319	2,948	2,590	2,428
Real Property	44,242	44,416	44,344	61,074	60,800
Total Land Grant Trust Assets	\$ 164,050	\$ 176,402	\$ 173,841	\$ 199,623	\$ 210,981
Other Endowment Fund Assets	919	1,551	2,555	2,680	2,526
Liabilities	(5,154)	(3,538)	(3,844)	(18,965)	(18,865)
Total Endowment Fund Net Assets	\$ 159,815	\$ 174,415	\$ 172,552	\$ 183,338	\$ 194,642

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% 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 on Arctic issues. These include the International Arctic Research Center that was established in 1999 with bilateral collaboration from a Japanese nonprofit 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 2008-2009, after 30 years of planning and development, the National Science Foundation awarded the University of Alaska Fairbanks funding for the construction of a new research vessel, named Sikuliaq. The Sikuliaq is a 261 foot, multipurpose oceanographic research vessel capable of operating in seasonal ice and open regions around Alaska. The Sikuliaq is owned by the National Science Foundation and operated by the University

of Alaska Fairbanks on behalf of the entire ocean sciences community. The University took delivery of the vessel on June 6, 2014.

The Facilities and Administrative Cost Recovery, a component of Revenues shown on Table 2, is included as part of the revenues associated with grants and contracts shown on Table 14.

Table 14: Expenditures of Federal Grants and Contracts by Agency

For Fiscal Years Ending June 30
(\$000s)

Federal Agency	2010	2011	2012	2013	2014
National Science Foundation ⁽¹⁾	\$ 38,517	\$ 63,330	\$ 101,049	\$ 73,711	\$ 55,382
Department of Education	23,990	23,074	19,038	21,205	21,702
Department of Health and Human Services	16,330	18,420	22,328	14,467	10,279
National Aeronautics and Space Admin.	14,476	16,350	15,862	14,752	15,212
Department of Commerce	10,335	11,269	12,298	11,327	9,356
Department of Agriculture	12,230	10,420	10,187	8,977	8,014
Department of the Interior	8,773	11,808	14,219	17,762	18,375
Department of Defense	9,758	7,948	9,122	7,806	3,748
Other Federal Agencies	24,396	25,933	18,186	14,499	13,396
	<u>\$ 158,805</u>	<u>\$ 188,552</u>	<u>\$ 222,289</u>	<u>\$ 184,506</u>	<u>\$ 155,464</u>

(1) The National Science Foundation amounts include expenditures for the construction of the research vessel Sikuliaq. For the years 2010-2014, the expenditures for the Sikuliaq were \$5.3 million, \$30.2 million, \$70.4 million, \$39.9 million, and \$21.8 million, respectively.

Source: University of Alaska Fund Accounting.

SUMMARY FINANCIAL INFORMATION

Table 15 provides a summary of revenue, expenses, and changes in net position as reported in the University's audited financial statements for Fiscal Years 2014 and 2013. Table 16 provides a summary of net position as reported in the University's audited financial statements for Fiscal Years 2014 and 2013.

Table 15: Statements of Revenues, Expenses and Changes in Net Position**For the Years Ended June 30, 2014 and 2013**

(\$000s)

	2014	2013 Restated
Operating revenues		
Student tuition and fees	\$ 140,325	\$ 141,910
less scholarship allowances	(15,221)	(14,855)
	125,104	127,055
Federal grants and contracts	123,078	130,443
State and local grants and contracts	27,778	26,795
Private grants and contracts	46,156	51,006
Sales and services, educational departments	5,255	4,712
Auxiliary enterprises, net of scholarship allowances of \$2,189 and \$2,051	37,717	40,008
Other	15,345	17,126
Total operating revenues	380,433	397,145
Operating expenses		
Instruction	217,287	214,239
Academic support	67,014	65,136
Research	129,842	132,905
Public service	45,631	41,360
Student services	54,576	54,944
Operations and maintenance	68,918	63,364
Institutional support	95,793	96,072
Student aid	26,872	28,755
Auxiliary enterprises	35,714	35,276
Depreciation	66,618	63,403
State on-behalf payments – pension	32,873	32,990
Total operating expenses	841,138	828,444
Operating loss	(460,705)	(431,299)
Nonoperating revenues (expenses)		
State appropriations	385,887	371,051
State on-behalf contributions – pension	32,873	32,990
Investment earnings (losses)	5,180	5,474
Endowment proceeds and investment income (loss)	19,065	18,992
Gain on sale of building	–	4,914
Interest on debt	(4,098)	(7,501)
Federal student financial aid	25,261	25,804
Other nonoperating expenses	(2,532)	(2,028)
Net nonoperating revenues	461,636	449,696
Income (Loss) before other revenues	931	18,397
Capital appropriations, grants and contracts	186,331	191,809
Net increase in net position	187,262	210,206
Net Position		
Net Position – beginning of year	1,443,964	1,276,368
Cumulative effect of restatement	–	(42,610)
Net Position – beginning of year as restated	–	1,233,758
Net Position – end of year	\$1,631,226	\$1,443,964

Source: Audited Financial Statements.

Table 16: Statements of Net Position**June 30, 2014 and 2013**

(\$000s)

	2014	2013 Restated
Assets		
Current assets:		
Cash and cash equivalents	\$ 46,679	\$ 40,231
Short-term investments	31,937	22,668
Accounts receivable, net	84,723	73,308
Inventories	5,836	6,399
Other assets	2,061	433
Total current assets	<u>171,236</u>	<u>143,039</u>
Noncurrent assets:		
Restricted cash and cash equivalents	4,015	8,751
Notes receivable	2,428	2,739
Bond funds held with trustee	16,387	51,099
Endowment investments	148,499	136,679
Land Grant Trust property and other endowment assets	62,579	62,885
Long-term investments	63,215	58,795
Education Trust of Alaska investments	18,856	15,130
Capital assets, net	1,447,301	1,280,298
Total noncurrent assets	<u>1,763,280</u>	<u>1,616,376</u>
Total assets	<u>1,934,516</u>	<u>1,759,415</u>
Deferred Outflow of Resources		
Deferred amount on debt refunding	1,369	1,491
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	38,115	38,983
Accrued payroll and annual leave	36,592	36,132
Unearned revenue and deposits	18,464	18,923
Unearned lease revenue – current portion	–	961
Long-term debt – current portion	10,870	11,164
Insurance and risk management	13,939	14,352
Total current liabilities	<u>117,980</u>	<u>120,515</u>
Noncurrent liabilities:		
Long-term debt	156,423	166,955
Capital lease obligation	25,814	24,953
Other noncurrent liabilities	4,442	4,519
Total noncurrent liabilities	<u>186,679</u>	<u>196,427</u>
Total liabilities	<u>304,659</u>	<u>316,942</u>
Net Position		
Net investment in capital assets	1,255,355	1,076,861
Restricted:		
Expendable	69,987	78,443
Nonexpendable	130,853	131,365
Unrestricted	175,031	157,295
Total net position	<u>\$1,631,226</u>	<u>\$1,443,964</u>

Source: Audited Financial Statements.

CERTAIN RISKS TO BOND OWNERS

The purchase of the Bonds involves certain investment risks. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of all of the information presented in this Official Statement prior to making an investment decision. This discussion of certain risks is not intended to be exhaustive and should be read in conjunction with this entire Official Statement, including the appendices.

General

The General Revenue Bonds, including the Bonds, are payable solely from Revenues. The ability of the University to comply with its obligations under the Indenture with respect to the Bonds depends primarily upon the ability of the University to generate sufficient Revenues from operations and to receive sufficient appropriated funds from the State for capital projects and operations. State appropriated funds are neither included in Revenues nor pledged to or legally available for the payment of the Bonds, but such appropriated funds are essential to the operations of the University.

Certain risks may prevent the University from generating sufficient Revenues to meet all of its obligations, including its obligations under the Indenture. Many factors could adversely affect the ability of the University to generate sufficient Revenues, including: (i) the demand for and the ability of the University to provide higher education facilities and services through the operation of the University on a competitive basis, (ii) the level of administrative, faculty, alumni, parent and student confidence in and support of the University, (iii) economic developments in the State and competition from other higher education institutions, including Internet-based education providers, (iv) changes in governmental programs supporting research, educational programs or student loans, (v) the availability and cost of student loans and (vi) performance of the University's investments. The future financial condition of the University could also be adversely affected by, among other things, legislation, regulatory actions, decreased demand for the University's facilities and services, demographic changes, changes in the State's economy, fluctuations in oil prices (which significantly impact the State's receipt of unrestricted general fund revenue from which most State appropriations to the University are made), the availability and cost of credit to finance capital expenditures and a number of other conditions which are unpredictable, including the risk factors listed below. Future revenues and expenses of the University are subject to conditions that may change in the future to an extent that cannot be determined at this time.

Additional Bonds

The Revenues are pledged to the payment of all General Revenue Bonds issued under the Indenture. The Indenture authorizes the University to issue Additional Bonds secured by a lien on Revenues on a parity with the lien that secures the Bonds upon satisfaction of certain conditions specified in the Indenture. The Indenture also authorizes the University to incur indebtedness secured by a lien on Revenues subordinate to the lien that secures the General Revenue Bonds upon satisfaction of certain conditions specified in the Indenture.

Financial Information

Certain financial information of the University is set forth in Appendix A. There can be no assurance that the financial results achieved by the University in the future will be similar to historical results. Such future results will vary from historical results and actual variations may be material. The historical operating results of the University cannot be taken as a representation that the University will be able to generate sufficient Revenues in the future to make payments under the Indenture sufficient for the payment of the principal of and interest on the General Revenue Bonds when due.

Environmental Liabilities

The operations of the University result in the production of waste products, including hazardous wastes as defined in federal and state laws. As a generator of these wastes, the University is responsible for compliance with applicable federal, state and local laws and regulations, including the proper handling, labeling, storage, transport and disposal of the wastes, and may incur liability without regard to fault or remedial actions and for personal injury and property damage related to a release or threatened release of these wastes. Such liability could be substantial and may adversely affect the University's financial condition.

Other Factors

Other factors also may affect the operations of the University and affect its ability to generate sufficient Revenues to pay the principal of and interest on the General Revenue Bonds when due. These factors include: (i) changes in the cost and availability of energy; (ii) changes in the cost and availability of insurance, such as casualty and comprehensive liability, that institutions of a similar size and type generally carry; (iii) occurrence of uninsured acts of God, including earthquakes in the seismically active areas in which the 2015 Project site and other University facilities are located; (iv) an increase in the rate of inflation, combined with difficulties in increasing tuition, fees and charges while maintaining the quantity and quality of educational facilities and services; and (v) the availability and cost of credit.

Legislative Proposals

Over the past several years, Congress has debated the federal government's support of educational and research efforts. Legislative changes under consideration include, among others: (i) reductions in federal payments for research (which could reduce amounts paid to the University); (ii) reductions or eliminations of student loan programs (which could affect the financial ability of students to attend the University); (iii) reform of the Code to adopt a "flat rate" income tax with few deductions or other amendments to the Code to limit deductions (which could adversely affect the market value and marketability of the Bonds, cost and availability of credit to finance capital expenditures, and donations to the University); and (iv) eliminating federal gift or estate taxes or increasing the unified credit against gift and estate taxes (which could adversely affect donations to the University). Restrictive immigration or security legislation or rules could affect the University's ability to recruit foreign students or faculty.

Federal Tax Status of the Bonds

The Code imposes a number of requirements that must be satisfied for interest on obligations such as the Bonds to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Bond proceeds, limitations on the investment earnings of Bond proceeds prior to expenditure, a requirement that the University file an information report with the Internal Revenue Service (the "IRS") and a requirement that all rebate payable to the United States, if any, be timely paid. The University has covenanted in the Indenture that it will comply with such requirements. Failure by the University to comply with any of these covenants may result in the interest on the Bonds being taxable retroactively to the date of issuance, regardless of when such noncompliance occurs or is ascertained.

Research

Federal, state and local regulations and restrictions govern funded research. Although the University employs reasonable efforts to operate its programs consistently with the funded research requirements, an audit could discover areas of potential noncompliance. In the case of a serious audit disagreement, the University could be required to repay amounts previously paid to it, and could be barred from future research grants. Such an action could lead to the reduction or elimination of research funding. In addition, the ongoing sequestration of

certain federal funding pursuant to the Budget Control Act of 2011 may adversely affect the University by reducing its anticipated federal grant receipts for federally-funded sponsored research programs.

Secondary Market

There is no guarantee that a secondary trading market will develop for the Bonds. Prospective purchasers of the Bonds should be prepared to hold their Bonds to maturity or prior redemption. The Underwriters are not obligated to make a market in the Bonds.

Book-Entry

Purchasers of Bonds through broker-dealers become creditors of the broker-dealer with respect to such Bonds. Records of such purchasers' holdings are maintained only by the broker-dealer and the purchaser. In the event of the insolvency of the broker-dealer, the purchaser would be required to look to the broker-dealer's bankruptcy estate, and to any insurance maintained by the broker-dealer, to make up any loss incurred. None of the University, the Trustee or the Underwriters is responsible for failures to act by, or insolvencies of, DTC or any broker-dealer.

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, APC, Anchorage, Alaska, Bond Counsel to the University. The proposed form of bond counsel opinion is attached as Appendix C. Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Pepper PLLC, Seattle, Washington, and any opinion delivered by such firm will be limited in scope, delivered only to the Underwriters, and cannot be relied upon by investors.

LIMITATIONS ON REMEDIES

Any remedies available to the owners of the Bonds upon the occurrence of an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are in turn often subject to discretion and delay and could be both expensive and time consuming to obtain. If the University fails to comply with its covenants under the Indenture or to pay principal of or interest on the Bonds when due, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

In addition to the limitations on remedies contained in State law, the rights and obligations under the Bonds and the Indenture may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases, and the opinion to be delivered by Bond Counsel will be accordingly qualified.

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 by the University 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.

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, 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 First Southwest Company LLC 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. First Southwest Company LLC is registered as a Municipal Advisor with the Municipal Securities Rulemaking Board.

RATINGS

Moody’s Investors Service and Standard and Poor’s Ratings Services have assigned ratings of “Aa2” and “AA-,” respectively, to the Bonds, based on their research and investigation of the University. Moody’s Investors Service has assigned a “negative outlook” and Standard and Poor’s Ratings Services has assigned a “stable outlook” to the University. Such ratings and outlooks reflect only the respective views of the rating agencies 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 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 and marketability of the Bonds.

FINANCIAL STATEMENTS

The financial statements of the University for the Fiscal Years ended June 30, 2014 and 2013, were examined by Moss Adams LLP, independent certified public accountants, whose report thereon appears in Appendix A. Moss Adams 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. Moss Adams 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

Citigroup Global Markets Inc., on behalf of itself and as representative of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Bank, National Association (together, the “Underwriters”), has agreed, subject to certain conditions, to purchase all (but not less than all) of the Bonds from the University at a price equal to \$74,398,930 (representing the aggregate principal amount of the Bonds, plus an original issue

premium of \$9,296,101, and less an Underwriters' discount of \$247,171. The obligation of the Underwriters to purchase the Bonds is subject to certain terms and conditions set forth in a purchase contract entered into between the University and the Underwriters.

The Underwriters may offer and sell the Bonds to certain dealers (including underwriters and other dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering prices (or prices corresponding to the yields) set forth on the inside cover. The initial public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the University. The Underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Citigroup Global Markets Inc., one of the Underwriters of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Wells Fargo Bank, National Association ("WFBNA"), one of the Underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

POTENTIAL CONFLICTS OF INTEREST

Some or all of the fees of the Financial Advisor, Bond Counsel and Underwriters' Counsel are contingent upon the sale of the Bonds. Bond Counsel and Underwriters' Counsel may serve as counsel to other parties involved with the preparation and sale of the Bonds with respect to transactions other than the issuance of the Bonds. One of the members of the Board of Regents is an employee of one of the Underwriters pursuant to an

APPENDIX A

Audited Financial Statements for the Fiscal Years Ended June 30, 2014 and 2013

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UNIVERSITY
of ALASKA

Many Traditions One Alaska

University of Alaska Financial Statements

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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, 2014 (2014) and June 30, 2013 (2013), with selected comparative information for the year ended June 30, 2012 (2012). 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 Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are prepared in accordance with generally accepted accounting principles (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 position categories – unrestricted, restricted, and net investment in capital assets.

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 Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the University. The net position is one indicator of the financial condition of the University, while the change in net position is an indicator of whether the financial condition has improved or declined during the year.

A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014, 2013 and 2012 follows (\$ in thousands):

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

	2014	Restated 2013	Restated 2012
Assets:			
Current Assets	\$ 171,236	\$ 143,039	\$ 157,492
Other noncurrent assets	315,979	336,078	296,779
Capital assets, net of depreciation	<u>1,447,301</u>	<u>1,280,298</u>	<u>1,054,648</u>
Total assets	<u>1,934,516</u>	<u>1,759,415</u>	<u>1,508,919</u>
Deferred Outflow of Resources	<u>1,369</u>	<u>1,491</u>	<u>-</u>
Liabilities:			
Current liabilities	117,980	120,515	115,298
Noncurrent liabilities	<u>186,679</u>	<u>196,427</u>	<u>159,863</u>
Total liabilities	<u>304,659</u>	<u>316,942</u>	<u>275,161</u>
Net position:			
Net investment in capital assets	1,255,355	1,076,861	889,064
Restricted – expendable	69,987	78,443	74,102
Restricted – nonexpendable	130,853	131,365	130,513
Unrestricted	<u>175,031</u>	<u>157,295</u>	<u>140,079</u>
Total net position	<u>\$ 1,631,226</u>	<u>\$ 1,443,964</u>	<u>\$ 1,233,758</u>

Overall, total net position of the University increased \$187.3 million, or 13 percent. This increase was mainly due to capital appropriations received which resulted in a \$178.5 million increase in the net investment in capital assets. The change in net investment in capital assets is discussed in more detail in the *Capital and Debt Activities* section below. The unrestricted net position totaled \$175.0 million at June 30, 2014, representing an increase of \$17.7 million over the prior year. At year end, \$148.8 million of the unrestricted net position were designated for specific purposes. See Note 7 of the financial statements for a detailed list of these designations.

Total operating cash and investments were \$144.2 million at June 30, 2014 compared to \$124.6 million at June 30, 2013. This portfolio consists primarily of bank deposits,

money market mutual funds and fixed income securities that are held to maturity to match liquidity needs. The fixed income securities comprised 54 percent, or \$77.7 million, of total operating cash and investments at June 30, 2014. The money market mutual funds were \$41.1 million, or 28 percent of the total. Note 2 of the financial statements provides more information about deposits and investments and associated risks.

Other noncurrent assets decreased from \$336.1 million at June 30, 2013, to \$316.0 million at June 30, 2014. The change was primarily due to a decrease of \$34.7 million in bond funds held with the trustee, as these funds were expended on capital projects. However, this decrease was offset by an increase in the University's endowment investments of \$11.8 million, primarily as a result of positive market returns.

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

Total liabilities are categorized as either current liabilities or noncurrent liabilities on the Statement of Net Position. 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, amounts due in the next year on debt, and student deposits. Noncurrent liabilities are comprised mostly of long-term debt. Total liabilities decreased \$12.3 million during 2014 to a total of \$304.7 million primarily as a result of a decrease in long-term debt.

Total debt outstanding, which includes capital lease obligations, decreased from \$203.1 million at June 30, 2013 to \$193.1 million at June 30, 2014. The decrease was a result of scheduled payments on existing debt. More information is available in the *Capital and Debt Activities* section that follows.

Fiscal Year 2013 Comparisons (Statement of Net Position)

Significant comments about changes between 2012 and 2013 that were noted in fiscal year 2013 *Management's Discussion and Analysis* are summarized below:

The Statement of Net Position reflected an overall increase in net position of 17 percent, or \$210.2 million. Most of this change, or \$187.8 million, is attributed to the increase in the net investment in capital assets.

Total debt outstanding increased from \$163.3 million at June 30, 2012 to \$201.6 million at June 30, 2013 as a result of a general revenue bond issuance, 2013 Series S, plus the campus entered into a long term capital lease for a new dining facility. The 2013 Series S bonds provided funding for numerous deferred maintenance projects throughout the state. In addition, the bonds refunded previously issued debt, providing debt service savings.

Unrestricted net position totaled \$157.3 million at June 30, 2013, representing an increase of \$17.2 million over the prior year. At June 30, 2013, \$134.3 million was designated for specific purposes.

Statement of Revenues, Expenses and Changes in Net Position

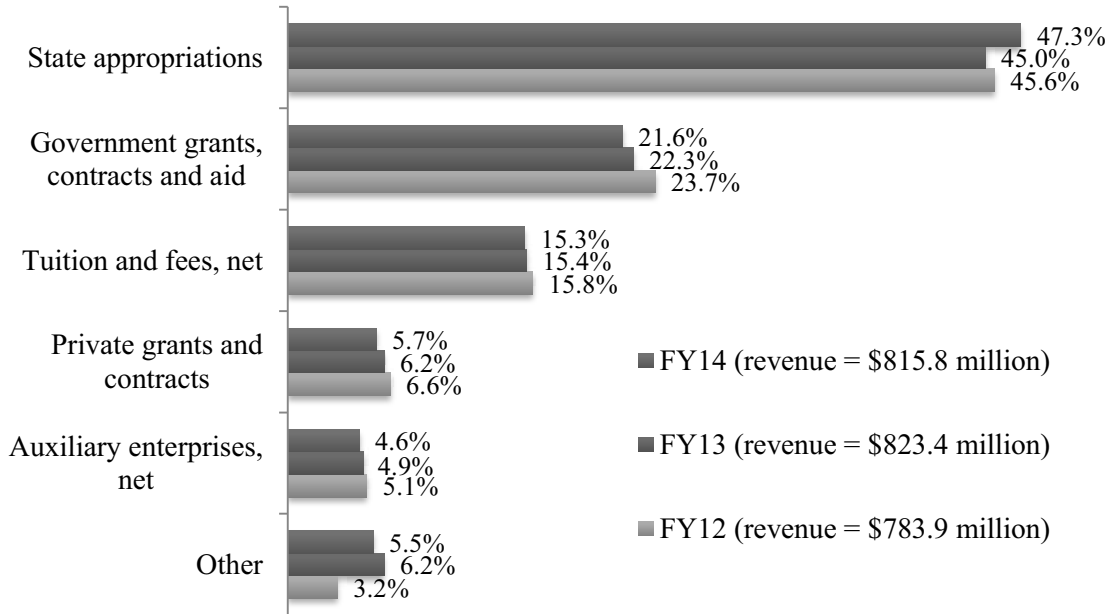
The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the University as a whole. Revenues, expenses and other changes in net position are reported as either operating or non-operating. Significant recurring sources of University revenue, such as state appropriations and investment earnings, are defined by GASB Statement No. 35 as non-operating.

A summarized comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2014, 2013 and 2012 follows (\$ in thousands):

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

	2014	Restated 2013	Restated 2012
Operating revenues	\$ 380,433	\$ 397,145	\$ 393,374
Operating expenses	(841,138)	(828,444)	(821,376)
Operating loss	(460,705)	(431,299)	(428,002)
Net nonoperating revenues	461,636	449,696	409,153
Gain (Loss) before other revenues, expenses, gains, or losses	931	18,397	(18,849)
Other revenues, expenses, gains or losses	186,331	191,809	171,279
Increase in net position	187,262	210,206	152,430
Net position at beginning of year	1,443,964	1,233,758	1,081,328
Net position at end of year	<u>\$1,631,226</u>	<u>\$1,443,964</u>	<u>\$1,233,758</u>

Operating and Nonoperating Revenues* by Year



* Excludes capital appropriations, grants and contracts, and state on-behalf payments for pension

The Statement of Revenues, Expenses and Changes in Net Position reflects an overall increase in net position of 13 percent, or \$187.3 million. Major changes in revenues and expenses in 2014 are described below.

State of Alaska general fund appropriations continue to be the single major source of revenue for the University, providing \$385.9

million in 2014, as compared to \$371.1 million in 2013. The appropriations are substantially aimed to fund a portion of the operations, and in some cases are targeted for special programs or initiatives. In addition, the state made on-behalf pension payments of \$32.9 million directly to the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) defined

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

benefit plans on behalf of the University for both fiscal years 2014 and 2013. The state is paying the cost above the University's employer contribution rate to fully fund the plans at the actuarial computed rate. The University's employer contribution rates have been capped at 22 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*.

Gross student tuition and fee revenue totaled \$140.3 million in 2014 as compared to \$141.9 million in 2013. The Fall 2013 tuition rates increased two percent for undergraduate courses and two percent for graduate courses. However, an overall enrollment decline from Fall 2012 to Fall 2013 of approximately 2.6 percent offset the tuition rate increases.

Operating grant and contract revenue totaled \$197 million for 2014, as compared to \$208.2 million in the prior year. The University receives grant funding from a diverse group of federal agencies, the State of Alaska, and private sponsors, including the University of Alaska Foundation. Generally, grant revenue is recorded when expenditures of the grant award occur, so the revenue reported in the

financial statements reflects the amount expended in the applicable fiscal year. Grants provide funding primarily for research projects, instructional programs, public service activities and student aid.

Capital appropriations and capital grant and contract revenue decreased from \$191.9 million in 2013 to \$186.3 million in 2014. This revenue category consists mostly of funds appropriated from the State of Alaska's capital budget or from general obligation bonds issued by the State of Alaska for University capital projects. For a more detailed discussion on capital activity, see the *Capital and Debt Activities* section which follows.

Endowment proceeds and investment income totaled \$19 million in 2014, the same as 2013. Total return in 2014 from the consolidated endowment fund was 12.5 percent. Endowment proceeds 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.

A comparison of operating expenses by functional and natural classification for selected fiscal years follows (see Note 18 of the financial statements for more information):

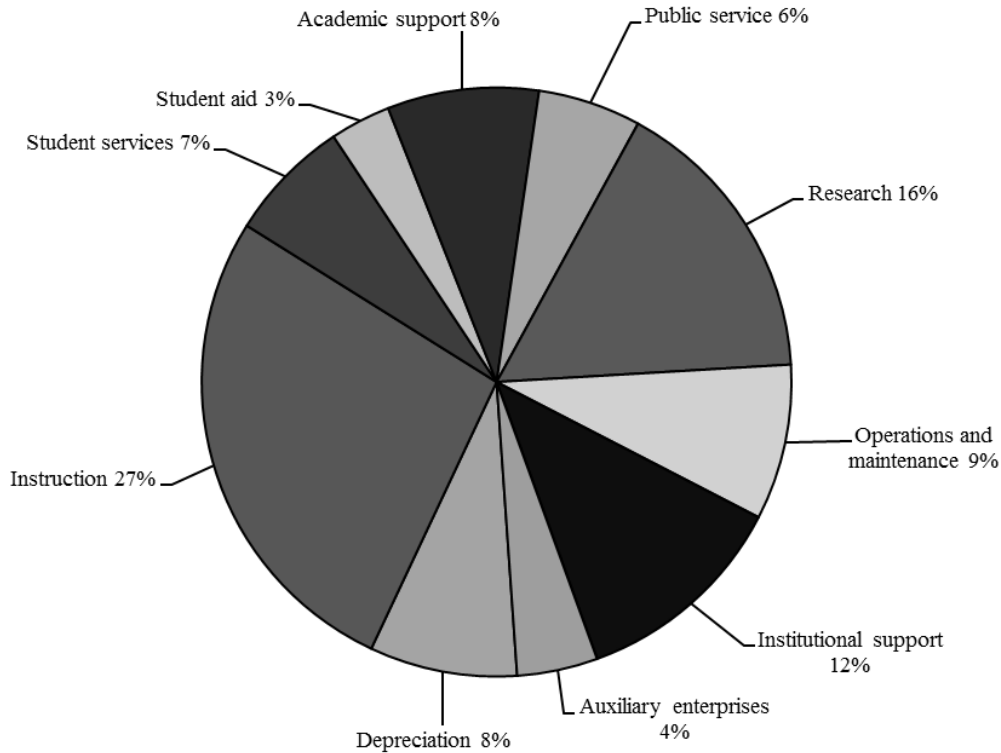
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

Operating Expenses*
Functional Classification (\$ in millions)

	FY2014		FY2013 Restated		FY2012 Restated	
Instruction	\$ 217.3	26.9%	\$ 214.2	27.0%	\$ 213.2	26.9%
Student Services	54.6	6.8%	54.9	6.9%	53.1	6.7%
Student Aid	26.9	3.3%	28.8	3.6%	28.5	3.6%
Academic Support	67.0	8.3%	65.1	8.2%	65.2	8.2%
Student and Academic	365.8	45.3%	363.0	45.7%	360.0	45.4%
Research	129.8	16.1%	132.9	16.6%	135.9	17.1%
Public Service	45.6	5.6%	41.4	5.2%	38.8	4.9%
Auxiliary Enterprises	35.7	4.4%	35.3	4.4%	38.3	4.8%
Institutional Support	95.8	11.9%	96.1	12.1%	95.4	12.0%
Operations and Maintenance	68.9	8.5%	63.4	8.0%	65.5	8.3%
Depreciation	66.6	8.2%	63.4	8.0%	59.7	7.5%
Total Operating Expenses	\$ 808.2	100.0%	\$ 795.5	100.0%	\$ 793.6	100.0%

* Does not include On-Behalf payments made by State of Alaska for pension

**Fiscal Year 2014
Functional Classification**

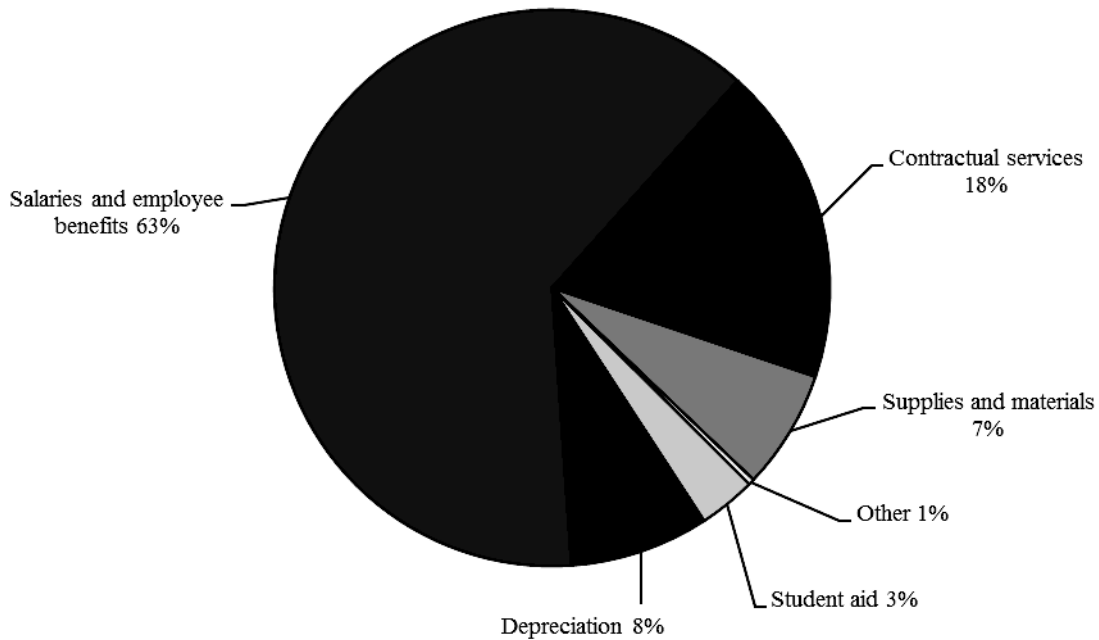


MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

	Operating Expenses*					
	Natural Classification (\$ in millions)					
	FY2014		FY2013 Restated		FY2012 Restated	
Salaries and benefits	\$ 506.4	62.8%	\$ 494.1	62.2%	\$ 490.6	61.7%
Contractual services	149.5	18.5%	144.3	18.1%	144.4	18.2%
Supplies and materials	56.1	6.9%	63.2	7.9%	65.6	8.3%
Student Aid	26.9	3.3%	28.8	3.6%	28.5	3.6%
Depreciation	66.6	8.2%	63.4	8.0%	59.7	7.6%
Other	2.7	0.3%	1.7	0.2%	4.8	0.6%
Total Operating Expenses	<u>\$ 808.2</u>	<u>100.0%</u>	<u>\$ 795.5</u>	<u>100.0%</u>	<u>\$ 793.6</u>	<u>100.0%</u>

* Does not include On-Behalf payments made by State of Alaska for pension

**Fiscal Year 2014
Natural Classification**



Total operating expenses increased 1.6 percent in 2014 as compared to .2 percent in 2013. Expenditures related to the student and academic core mission, about 45 percent of all expenditures, showed a \$2.8 million increase in 2014. For the same period, expenditures for research decreased \$3.1 million, primarily a result of the tapering off of available

American Recovery and Reinvestment Act funds, competitive pressures on grant monies and federal sequestration. Amounts expended for institutional support remained stable while expenditures for operations and maintenance of facilities increased \$5.5 million as compared to 2013.

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

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. Scholarship allowances totaled \$15.2 million in 2014 and \$14.8 million in 2013. 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 Statements of Cash Flows as direct lending receipts totaling \$74.8 million and \$83.9 million in 2014 and 2013, respectively.

Fiscal Year 2013 Comparisons (Statement of Revenues, Expenses and Changes in Net Position)

Significant comments about changes between 2012 and 2013 that were noted in fiscal year 2013 *Management's Discussion and Analysis* are summarized below:

The Statement of Revenues, Expenses and Changes in Net Position reflected an overall increase in net position of 17 percent, or \$210.2 million.

Gross student tuition and fee revenue totaled \$141.9 million in 2013 as compared to \$138.5 million in 2012. The increase was primarily due to fall 2012 tuition rate increases of 7 percent for undergraduate courses and 3 percent for graduate courses.

Salaries and employee benefits increased .7 percent, or \$3.5 million, in 2013, which represents less of an increase than was experienced in recent years. The relatively modest growth can be attributed to a combination of savings from vacancies and

management efforts to minimize overall headcount growth.

Capital and Debt Activities

The University continued to modernize various facilities and build new facilities to address emerging state needs. Net capital asset increases (excluding accumulated depreciation) totaled \$224.9 million in 2014, as compared with \$275.1 million in 2013 and \$191.3 million in 2012. These capital additions primarily comprise replacement, renovation, code corrections and new construction of academic and research facilities, as well as investments in equipment and information technology. State capital appropriations for 2014 and 2013 were \$62.6 million and \$154.9 million, respectively. Major components of the 2014 appropriation included \$30 million for the Anchorage campus engineering building and the Fairbanks engineering building. Plus, \$30 million was provided for numerous high-priority deferred maintenance projects throughout the University system. The 2013 appropriation included \$37.5 million for deferred maintenance and \$104.9 million for the Anchorage and Fairbanks engineering buildings.

Construction in progress at June 30, 2014 totaled \$528.1 million and includes the following major projects:

A new sports arena on the Anchorage campus was opened subsequent to year end, in September 2014. This 196,000 square foot multi-use facility will house a 5,000 seat performance gymnasium for basketball and volleyball, plus supporting space for other athletic activities. The project cost of \$109 million is funded from State of Alaska capital appropriations and general obligation bonds.

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

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 261 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 first research cruises are scheduled to begin in October 2014 in the Pacific Ocean. The ship is expected to arrive in Alaska waters in February 2015. A commissioning ceremony is scheduled for March 2015.

New engineering buildings are underway at both the Fairbanks and Anchorage campuses, to meet the engineering workforce demands of the state and modernize the classroom instruction experience. To date, the buildings have been funded by State of Alaska capital appropriations.

At June 30, 2014, \$151.9 million remains unexpended from current and prior year capital appropriations and general revenue bond proceeds, of which \$98 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 and Capital Leases

At June 30, 2014, total debt outstanding, including capital leases, totaled \$193.1 million. The University traditionally issues general revenue bond tax-exempt debt, and secures the repayment via a master trust indenture with a broad pledge of university receipts.

In fiscal year 2013, the University issued general revenue and refunding bonds 2013 Series S with a par amount of \$31,020,000 and a 22 year term. The bonds funded numerous deferred maintenance projects and refunded substantially all maturities of 2003 Series L, 2004 Series M and 2005 Series N general revenue bonds. The economic gain from the refunding is \$782,516 in present value and total debt service payments are reduced by \$938,706 over the life of the bonds. The University also defeased \$1,540,000 of 2009 Series P general revenue bonds maturing through October 1, 2017 by contributing cash to an escrow account held by a trustee.

In fiscal year 2013, the University entered into a long term lease agreement with Community Properties of Alaska, Inc. (CPA), an Alaska non-profit corporation, to lease a new student dining facility on the University of Alaska Fairbanks Campus. CPA built the student dining facility using proceeds from its Lease Revenue Bonds 2012. The new dining facility opened in August 2014. At June 30, 2014, the present value of the minimum lease payments is approximately \$25.8 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 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, deferred maintenance projects, and to refund previously issued general revenue bonds and other contractual obligations in order to realize debt service savings.

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

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 February 2013.

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

The State of Alaska appropriated \$232.4 million to the University for fiscal year 2015 via its capital budget. The appropriations include \$19.2 million designated for deferred maintenance needs across the University system. This funding is the fifth installment of a five year deferred maintenance program instituted by the Governor. The appropriations also include \$162 million for the Fairbanks heat and power plant upgrade and \$50.6 million for engineering buildings construction and renovation at the Anchorage and Fairbanks campuses. The remaining \$0.6 million is for other smaller projects.

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 or results of operations of the University.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The University provides a significant number of its employees with pension benefits through the state's multiple-employer cost-sharing defined-benefit retirement plan administered by the Public Employee's Retirement System (PERS) and the Teacher's Retirement System (TRS). GASB Statement No. 68 will require cost-sharing employers participating in PERS and TRS, such as the University, to record their proportionate share, as defined in GASB Statement No. 68, of PERS and TRS net pension liability. The requirement to record a net pension liability will negatively impact the University's future unrestricted net position. At this time, management does not have a firm estimate of the magnitude of this impact, but it is expected to be material to the financial statements as a whole. GASB Statement No. 68 is effective beginning in fiscal year 2015.

Commencing in spring of 2015, a new heat and power plant will be constructed on the Fairbanks campus to replace an aged power plant. The project cost is estimated to be \$245 million, and the plant is expected to be complete during the winter of 2018. In the 2014 legislative session, the state approved a financing plan that includes state appropriated funds and loans of \$175 million and university general revenue bonds of \$70 million. The revenue bonds are expected to be issued in fiscal year 2017.

REPORT OF INDEPENDENT AUDITORS

The Board of Regents
University of Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Alaska (University), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the financial statements of its discretely presented component unit, the University of Alaska Foundation, Inc., which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**REPORT OF INDEPENDENT AUDITORS
(continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely present component unit as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17, the University had not accounted for depreciation related to library books in accordance with accounting principles generally accepted in the United States of America in prior years. This error was discovered in the fiscal year ending June 30, 2014, and resulted in restatement of amounts reported for fiscal year ending June 30, 2013. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss Adams LLP

Spokane, Washington
October 15, 2014

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Net Position
June 30, 2014 and 2013
(in thousands)

Assets	2014	2013 Restated
Current assets:		
Cash and cash equivalents	\$ 46,679	\$ 40,231
Short-term investments	31,937	22,668
Accounts receivable, net	84,723	73,308
Inventories	5,836	6,399
Other assets	2,061	433
Total current assets	171,236	143,039
Noncurrent assets:		
Restricted cash and cash equivalents	4,015	8,751
Notes receivable	2,428	2,739
Bond funds held with trustee	16,387	51,099
Endowment investments	148,499	136,679
Land Grant Trust property and other endowment assets	62,579	62,885
Long-term investments	63,215	58,795
Education Trust of Alaska investments	18,856	15,130
Capital assets, net	1,447,301	1,280,298
Total noncurrent assets	1,763,280	1,616,376
Total assets	1,934,516	1,759,415
Deferred Outflow of Resources		
Deferred amount on debt refunding	1,369	1,491
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	38,115	38,983
Accrued payroll and annual leave	36,592	36,132
Unearned revenue and deposits	18,464	18,923
Unearned lease revenue - current portion	-	961
Long-term debt - current portion	10,870	11,164
Insurance and risk management	13,939	14,352
Total current liabilities	117,980	120,515
Noncurrent liabilities:		
Long-term debt	156,423	166,955
Capital lease obligation	25,814	24,953
Other noncurrent liabilities	4,442	4,519
Total noncurrent liabilities	186,679	196,427
Total liabilities	304,659	316,942
Net Position		
Net investment in capital assets	1,255,355	1,076,861
Restricted:		
Expendable	69,987	78,443
Nonexpendable	130,853	131,365
Unrestricted	175,031	157,295
Total net position	\$ 1,631,226	\$ 1,443,964

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, 2014 and 2013
(in thousands)

Assets	2014	2013
Cash and cash equivalents	\$ 25,524	\$ 21,609
Interest receivable	253	95
Contributions receivable, net	8,237	8,589
Remainder trusts receivable	1,901	2,028
Other receivables	2,573	328
Other assets	816	818
Pooled endowment funds	317,234	151,728
Other investments	25,583	24,879
Total assets	\$ 382,121	\$ 210,074
 Liabilities		
Assets held in trust for University of Alaska	\$ 146,213	\$ -
Due to University of Alaska	1,372	2,244
Other liabilities	363	239
Split interest obligations	351	302
Term endowment liability	1,000	1,000
Total liabilities	149,299	3,785
 Net Assets		
Unrestricted	26,800	24,991
Temporarily restricted	106,689	85,444
Permanently restricted	99,333	95,854
Total net assets	232,822	206,289
Total liabilities and net assets	\$ 382,121	\$ 210,074

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 Position
For the Years Ended June 30, 2014 and 2013
(in thousands)

	2014	2013 Restated
Operating revenues		
Student tuition and fees	\$ 140,325	\$ 141,910
less scholarship allowances	(15,221)	(14,855)
	<u>125,104</u>	<u>127,055</u>
Federal grants and contracts	123,078	130,443
State and local grants and contracts	27,778	26,795
Private grants and contracts	46,156	51,006
Sales and services, educational departments	5,255	4,712
Auxiliary enterprises, net of scholarship allowances of \$2,189 in 2014 and \$2,051 in 2013	37,717	40,008
Other	15,345	17,126
Total operating revenues	<u>380,433</u>	<u>397,145</u>
Operating expenses		
Instruction	217,287	214,239
Academic support	67,014	65,136
Research	129,842	132,905
Public service	45,631	41,360
Student services	54,576	54,944
Operations and maintenance	68,918	63,364
Institutional support	95,793	96,072
Student aid	26,872	28,755
Auxiliary enterprises	35,714	35,276
Depreciation	66,618	63,403
State on-behalf payments - pension	32,873	32,990
Total operating expenses	<u>841,138</u>	<u>828,444</u>
Operating loss	<u>(460,705)</u>	<u>(431,299)</u>
Nonoperating revenues (expenses)		
State appropriations	385,887	371,051
State on-behalf contributions - pension	32,873	32,990
Investment earnings	5,180	5,474
Endowment proceeds and investment income	19,065	18,992
Federal student financial aid	25,261	25,804
Gain on sale of building	-	4,914
Interest on debt	(4,098)	(7,501)
Other nonoperating expenses	(2,532)	(2,028)
Net nonoperating revenues	<u>461,636</u>	<u>449,696</u>
Income before other revenues	931	18,397
Capital appropriations, grants and contracts	186,331	191,809
Increase in net position	<u>187,262</u>	<u>210,206</u>
Net Position		
Net Position - beginning of year	1,443,964	1,276,368
Cumulative effect of restatement (note 17)	-	(42,610)
Net Position - beginning of year as restated	-	<u>1,233,758</u>
Net Position - end of year	<u>\$ 1,631,226</u>	<u>\$ 1,443,964</u>

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, 2014 and 2013
(in thousands)

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and other support				
Contributions	\$ 161	\$ 15,756	\$ 4,411	\$ 20,328
Investment income	443	853	-	1,296
Net realized and unrealized investment gains (losses)	1,718	16,673	-	18,391
Other revenues	-	542	-	542
Actuarial adjustment of remainder trust obligations	-	322	3	325
Gains (Losses) on disposition of other assets	-	(30)	-	(30)
Administrative assessments	2,161	(1,457)	(53)	651
Support from University of Alaska	800	-	-	800
Donor directed reclassifications	-	882	(882)	-
Net assets released from restriction	12,296	(12,296)	-	-
Total revenues, gains and other support	17,579	21,245	3,479	42,303
Expenses and distributions				
Operating expenses	2,638	-	-	2,638
Distributions for the benefit of University of Alaska	13,132	-	-	13,132
Total expenses and distributions	15,770	-	-	15,770
Excess (deficiency) of revenues over expenses	1,809	21,245	3,479	26,533
Transfers between net asset classes	-	-	-	-
Increase (decrease) in net assets	1,809	21,245	3,479	26,533
Net assets, beginning of year	24,991	85,444	95,854	206,289
Net assets, end of year	\$ 26,800	\$ 106,689	\$ 99,333	\$ 232,822

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

2013

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 404	\$ 10,459	\$ 3,599	\$ 14,462
472	358	-	830
1,261	12,179	-	13,440
-	390	-	390
-	343	4	347
-	(39)	-	(39)
1,903	(1,264)	(40)	599
900	-	-	900
-	-	-	-
14,946	(14,946)	-	-
19,886	7,480	3,563	30,929
2,440	-	-	2,440
16,003	-	-	16,003
18,443	-	-	18,443
1,443	7,480	3,563	12,486
(44)	(50)	94	-
1,399	7,430	3,657	12,486
23,592	78,014	92,197	193,803
\$ 24,991	\$ 85,444	\$ 95,854	\$ 206,289

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

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013
(in thousands)

	2014	2013
Cash flows from operating activities		
Student tuition and fees	\$ 141,337	\$ 139,442
less scholarship allowances	(15,221)	(14,855)
	126,116	124,587
Grants and contracts	185,566	210,649
Sales and services, educational departments	5,255	4,712
Sales and services, auxiliary enterprises	37,864	40,083
Other operating receipts	14,384	15,845
Payments to employees for salaries and benefits	(506,107)	(491,903)
Payments to suppliers	(203,818)	(204,075)
Payments to students for financial aid	(26,874)	(29,072)
	(367,614)	(329,174)
Net cash used for operating activities		
Cash flows from noncapital financing activities		
State appropriations	385,895	370,990
Other revenue	23,225	28,819
Direct lending receipts	74,768	83,902
Direct lending payments	(74,760)	(83,514)
	409,128	400,197
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities		
Capital appropriations, grants and contracts	184,623	186,004
Proceeds from issuance of capital debt	-	31,203
Redemption of general revenue bonds	-	(10,395)
Purchases of capital assets	(238,248)	(258,536)
Principal paid on capital debt	(10,296)	(10,665)
Interest paid on capital debt	(6,214)	(5,664)
	(70,135)	(68,053)
Net cash used for capital and related financing activities		
Cash flows from investing activities		
Proceeds from sales and maturities of investments	63,445	121,575
Purchases of investments	(39,595)	(123,237)
Interest received on investments	2,476	4,795
Interest and other sales receipts from endowment assets	4,007	3,099
	30,333	6,232
Net cash provided by investing activities		
Net increase in cash and cash equivalents	1,712	9,202
Cash and cash equivalents, beginning of the year	48,982	39,780
	\$ 50,694	\$ 48,982
	\$ 50,694	\$ 48,982
Cash and cash equivalents (current)	\$ 46,679	\$ 40,231
Restricted cash and cash equivalents (noncurrent)	4,015	8,751
Total cash and cash equivalents	\$ 50,694	\$ 48,982

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

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013
(in thousands)

Reconciliation of operating loss to net cash used for operating activities:	2014	Restated 2013
Operating loss	\$ (460,705)	\$ (431,299)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	66,618	63,403
State on-behalf payments - pension	32,873	32,990
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable, net	(10,941)	2,530
Other assets	(1,628)	93
Inventories	562	174
Accounts payable and accrued expenses	5,832	3,269
Accrued payroll	47	1,893
Unearned revenue, deposits from students and others	654	(2,838)
Accrued annual leave	412	250
Unearned lease revenue - current portion	(961)	(1,281)
Insurance and risk management	(413)	80
Real and personal property contributions	36	1,562
Net cash used for operating activities	\$ (367,614)	\$ (329,174)

Schedule of Noncash Investing, Noncapital Financing, Capital and Financing Related Activities:

For the Year Ended June 30, 2014

Decrease in accounts payable for capital assets is \$6.2 million.

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

The University received \$40,000 in donated equipment.

The University received on-behalf pension payments from the State of Alaska totaling \$33.0 million.

For the Year Ended June 30, 2013

Increase in accounts payable for capital assets is \$3.3 million.

Book value of capital asset disposals totaled \$0.7 million.

The University received \$1.6 million in donated equipment.

The University received on-behalf pension payments from the State of Alaska totaling \$33.0 million.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

1. **Organization and Summary of Significant Accounting Policies**

Organization:

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 the only public institution of higher learning in Alaska. It is a statewide system that consists of three universities located in Anchorage, Fairbanks, and Juneau, with each having extended satellite colleges and sites throughout Alaska. The system's administrative offices are located on the Fairbanks campus. The University is governed by an eleven-member Board of Regents, which is appointed by the governor.

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, nonprofit 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* and Statement No. 61, *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statement No. 14 and No. 34, 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.

The Nanook Innovation Corporation (NIC) and Seawolf Holdings, LLC were established in fiscal year 2013 for the purpose of supporting the University of Alaska through commercialization of University generated intellectual properties. The Nanook Innovation Corporation operates as a non-profit organization under the meaning of Internal Revenue Code 509(a)(3). The Board of Directors of NIC are appointed by the University. Seawolf Holdings, LLC is a limited liability company with the University being the sole member of the LLC. The Nanook Innovation Corporation and Seawolf Holdings, LLC are considered component units of the University according to GASB Statements No. 39 and No. 61. These entities had no significant activity in fiscal year 2014 and 2013.

Basis of Presentation:

The University's financial statements are presented in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board. The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows report the financial activities of the University of Alaska.

The University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions*, effective for the fiscal year ending June 30, 2013. This statement amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and*

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Liabilities. This Statement requires that certain items that were previously reported as assets and liabilities be classified or recognized as deferred outflows of resources or deferred inflows of resources. These determinations are based on the definitions of those elements in GASB Concepts Statement No. 4, *Elements of Financial Statements*. The new standard was effective retrospectively for the fiscal year beginning July 1, 2013. The University adopted GASB Statement No. 65 in fiscal year 2014.

Deferred outflows of resources represent the consumption of net assets by the University in one period that is applicable to future periods.

Deferred inflows of resources represent the acquisition of net assets in one period that is applicable to future periods.

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is required to be classified for accounting and reporting purposes into the following categories:

- *Unrestricted net position* is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position may be designated for specific purposes by the Board of Regents or may otherwise be limited by contractual agreements with outside parties.

- *Restricted net position:*

Expendable net position is 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 net position is subject to externally-imposed restrictions requiring that they be maintained permanently by the University.

- *Net investment in capital assets* – Capital assets, net of accumulated depreciation, reduced by outstanding balances of debt attributable to the acquisition, construction or improvement of those assets.

When both restricted and unrestricted funds are available for use, the University's policy is to allow management to apply the most appropriate funds based on the facts and circumstances.

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 position. 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.

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.

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. Inventories consist of parts, fuel, books, shop stock, etc.

Investments

Investments are stated at fair value. Investments in fixed income and equity marketable securities are

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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. Valuations provided by the general partners and investment managers are evaluated by management and management believes such values are reasonable at June 30, 2014 and 2013. 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 changes could materially affect the amounts reported in the statement of net position. 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 within the next fiscal year.

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 capital 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, 5 to 11 years for equipment and 20 years for library books. Museum collections are not depreciated because they are preserved and cared for and have an extraordinarily long useful life.

Endowments

The University's endowments consist of the Land Grant Endowment Trust Fund (LGETF) established pursuant to the 1929 federal land grant legislation, its related Inflation Proofing Fund (IPF) and several smaller "other" endowments. 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.

Alaska Statute 14.40.400 provides the Board of Regents with authority to manage the LGETF under the total return principles which intends to preserve and maintain the purchasing power of the endowment principal. The investable resources of the LGETF and IPF are invested in the Consolidated Endowment Fund, a unitized investment fund. The annual spending allowance is currently based on 4.5 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 position 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,

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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 position. 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.

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, investment earnings, 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, 2013 financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2014 financial statements.

Recently Issued Accounting Standards

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. This Statement requires that an employer recognize its obligation for pension net of the amount of the pension plan's fiduciary net position that is available to satisfy that obligation as well as additional note disclosures regarding the obligation. The new standard is effective retrospectively for the fiscal year beginning July 1, 2014. The University is currently evaluating the impact that the adoption of GASB Statement 68 will have on its financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

2. Deposits and Investments

Deposits and investments at June 30, 2014 were as follows (\$ in thousands):

Investment Type	Operating	Capital Funds	Endowment	Education Trust of Alaska	Total
Cash and Deposits	\$ 21,688	\$ -	\$ 685	\$ -	\$ 22,373
Certificates of Deposit	3,791	-	-	-	3,791
Money Market Mututal Funds	41,074	18,021	9,108	360	68,563
Equities:					
Domestic	-	-	6,916	-	6,916
Domestic Funds	-	-	18,377	7,598	25,975
Global Funds	-	-	21,861	-	21,861
Exchange Traded Funds - Domestic	-	-	5,384	-	5,384
Emerging Markets Funds	-	-	8,892	-	8,892
Debt-related:					
Corporate	56,145	-	3,618	-	59,763
Federal Agency	5,516	-	-	-	5,516
U.S. Treasuries	13,946	-	2,499	-	16,445
U.S. Municipals	-	-	302	-	302
International Government	2,052	-	-	-	2,052
Fixed Income Funds	-	-	2,367	10,898	13,265
Asset Backed Securities	-	-	2,126	-	2,126
Mortgage Backed Securities	-	-	1,581	-	1,581
Alternative Investments:					
Private Equity	-	-	14,667	-	14,667
Futures	-	-	4	-	4
Hedge Funds	-	-	49,110	-	49,110
Other	-	-	1,002	-	1,002
	\$144,212	\$18,021	\$ 148,499	\$ 18,856	\$329,588

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Deposits and investments at June 30, 2013 were as follows (\$ in thousands):

Investment Type	Operating	Capital Funds	Endowment	Education Trust of Alaska	Total
Cash and Deposits	\$ 20,202	\$ -	\$ 1,404	\$ -	\$ 21,606
Certificates of Deposit	3,786	-	-	-	3,786
Money Market Mutual Funds	43,362	51,610	7,571	284	102,827
Equities:	-	-	-	-	-
Domestic Funds	-	-	-	6,224	6,224
Global Funds	-	-	6,252	-	6,252
Exchange Traded Funds (ETF):	-	-	-	-	-
Fixed Income	-	-	16,420	-	16,420
U.S. Treasuries	-	-	8,617	-	8,617
Domestic	-	-	23,960	-	23,960
Global	-	-	20,340	-	20,340
Emerging Markets	-	-	6,687	-	6,687
Real Assets	-	-	4,120	-	4,120
Debt-related:	-	-	-	-	-
Corporate	36,259	-	-	-	36,259
Federal Agency	3,594	-	-	-	3,594
U.S. Treasuries	14,314	5,291	-	-	19,605
International Government	3,126	-	-	-	3,126
Fixed Income Funds	-	-	-	8,622	8,622
Alternative Investments:	-	-	-	-	-
Private Equity - Domestic	-	-	1,226	-	1,226
Private Equity - Int'l	-	-	5,861	-	5,861
Commodities	-	-	921	-	921
Natural Resources	-	-	3,275	-	3,275
Venture Capital	-	-	2,478	-	2,478
Mezzanine	-	-	437	-	437
Hedge Funds	-	-	19,809	-	19,809
Real Estate	-	-	6,165	-	6,165
Other	-	-	1,136	-	1,136
	\$ 124,643	\$ 56,901	\$ 136,679	\$ 15,130	\$ 333,353

Operating funds consist of cash on hand (including overnight repurchase agreements), time deposits, 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. The University has operating fund investment guidelines, which set forth the objectives, structure and acceptable investments for the University's operating funds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

The University's operating funds include investments in high quality bonds, including U.S. treasuries, federal agency bonds, international government bonds, and corporate bonds. These investments are held under the name of the University. Bonds comprise the largest portion of operating funds. The majority of the money market mutual funds are invested through the Commonfund, a nonprofit provider of pooled multi-manager investment vehicles for colleges and universities. The University has a \$13 million compensating balance with its checking and depository financial institution.

Capital funds include unexpended general revenue bond proceeds and related reserves and advances from state capital appropriations. At June 30, 2014 and 2013, bond funds held by a trustee totaled \$16.4 million and \$51.1 million, respectively, and consisted of funds held for construction purposes totaling \$9.3 million and \$43.9 million, respectively, and general revenue bond reserves totaling \$7.1 million and \$7.2 million, respectively. The general revenue bond reserves 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 investments totaling \$148.5 million and \$136.7 million in 2014 and 2013, respectively, primarily consisted of \$146.2 million and \$134.6 million in investable resources of the University's Land Grant Endowment Trust Fund at June 30, 2014 and 2013, respectively, 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 University of Alaska Foundation Consolidated Endowment Fund, LP in accordance with an investment policy approved by the Board of Regents. A copy of the Consolidated Endowment Fund's investment policy and guidelines can be obtained by contacting the University Controller's Office.

Education Trust of Alaska investments include the operating funds of the college savings program, established pursuant to state statute by the Board of Regents and Internal Revenue Code Section 529. 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, 2014 and 2013 had an estimated fair value of approximately \$4.6 and \$4.0 million, respectively.

At June 30, 2014, the University has approximately \$29.4 million in investments that are not readily marketable, compared to \$47.6 million at June 30, 2013. 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*. 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

guidelines require that at the time of purchase, short term instruments must be rated A2 or better by Standard & Poor's (S & P), and P2 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 managed account portfolio shall be no lower than A by S & P and A2 by Moody's.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

At June 30, 2014, investments consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (\$ in thousands):

Investment Type	Rating	Operating	Capital Funds	Endowment	Education Trust of Alaska
Securities Underlying Repurchase Agreements	Aaa/AAA	\$ 25,150	\$ -	\$ -	\$ -
Money Market Mututal Funds	Aaa/AAA	39,372	18,021	9,108	-
Money Market Mututal Funds	Not Rated	1,702	-	-	360
Debt-related:					
Corporate	Aaa/AAA	1,044	-	83	-
Corporate	Aa1/AA+	5,111	-	48	-
Corporate	Aa2/AA	4,554	-	-	-
Corporate	Aa3/AA-	10,628	-	95	-
Corporate	A1/A+	6,872	-	179	-
Corporate	A2/A	10,418	-	386	-
Corporate	A3/A-	7,482	-	900	-
Corporate	Baa1/BBB+	4,349	-	1,061	-
Corporate	Baa2/BBB	4,688	-	832	-
Corporate	Baa3/BBB-	-	-	34	-
Corporate	P-1	999	-	-	-
Federal Agency	Aaa/AAA	5,516	-	-	-
U.S. Municipals	Aa1/AA+	-	-	99	-
U.S. Municipals	Aa3/AA-	-	-	12	-
U.S. Municipals	A2/A	-	-	191	-
International Government	Aaa/AAA	510	-	-	-
International Government	Aa1/AA+	518	-	-	-
International Government	Aa2/AA	1,024	-	-	-
Fixed Income Funds	Not Rated	-	-	2,367	10,898
Asset Backed Securities	Aaa/AAA	-	-	883	-
Asset Backed Securities	Not Rated	-	-	1,243	-
Mortgaged Backed Securities	Aaa/AAA	-	-	359	-
Mortgaged Backed Securities	Aa2/AA	-	-	131	-
Mortgaged Backed Securities	Aa3/AA-	-	-	289	-
Mortgaged Backed Securities	A3/A-	-	-	99	-
Mortgaged Backed Securities	Baa1/BBB+	-	-	184	-
Mortgaged Backed Securities	Not Rated	-	-	519	-
Hedge Funds	Not Rated	-	-	49,110	-

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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 Statement No. 40 requires disclosure when the amount invested with a single issuer exceeds five percent of the University's total investments. At June 30, 2014, 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 15 percent of the total portfolio value, with exceptions for federally backed securities.

Custodial Credit Risk:

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

At June 30, 2014, 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, 2014, provided \$7.6 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, 2014, the University had the following debt investments and corresponding duration (\$ in thousands):

Investment Type	Operating	Capital Funds	Endowment	Education Trust of Alaska	Duration
Debt-related:					
International Government	\$ 2,052	\$ -	\$ -	\$ -	0.96
Federal Agency	5,516	-	-	-	1.04
Corporate	56,145	-	-	-	1.55
U.S. Treasuries	13,946	-	-	-	2.02
Fixed Income Funds	-	-	2,367	-	2.90
Mortgaged Backed Securities	-	-	1,581	-	3.20
Asset Backed Securities	-	-	2,126	-	4.40
Fixed Income Funds	-	-	-	10,898	5.53
U.S. Treasuries	-	-	2,499	-	6.61
Corporate	-	-	3,618	-	7.53
U.S. Municipals	-	-	302	-	9.27

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Hedge funds totaling \$49.1 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 effect on an investment's value for investments denominated in foreign currencies. GASB Statement No. 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, 2014, the University did not have any foreign currency risk, with the exception of the Consolidated Endowment Fund's private equity investments held in Canadian dollars with a fair value of \$128,924

3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2014 and 2013 (\$ in thousands):

June 30, 2014	Gross	Allowance	Net
Student tuition and fees	\$ 20,324	\$ (3,484)	\$ 16,840
Sponsored programs	55,063	(574)	54,489
Auxiliary services and other operating activities	676	(81)	595
Capital appropriations, grants and contracts	12,799	-	12,799
	<u>\$ 88,862</u>	<u>\$ (4,139)</u>	<u>\$ 84,723</u>

June 30, 2013	Gross	Allowance	Net
Student tuition and fees	\$ 20,744	\$ (3,388)	\$ 17,356
Sponsored programs	43,755	(893)	42,862
Auxiliary services and other operating activities	570	(115)	455
Capital appropriations, grants and contracts	12,635	-	12,635
	<u>\$ 77,704</u>	<u>\$ (4,396)</u>	<u>\$ 73,308</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 of Alaska 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. Participant account balances of approximately \$6.5 billion and \$5.4 billion at June 30, 2014 and 2013, 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 an actuarial study, management estimates reserve requirements for the UA Tuition Value Guarantees to be approximately \$3.4 million and \$4.1 million at

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

June 30, 2014 and 2013, respectively. The Tuition Value Guarantees are recorded in the Statements of Net Position in Other Noncurrent Liabilities.

5. Endowments, Land Grant Trust Property and Other Endowment Assets

The University's endowments consist of the Land Grant Endowment Trust Fund (LGETF) established pursuant to the 1929 federal land grant legislation, its related Inflation Proofing Fund (IPF) and several smaller "other" endowments.

Land Grant Trust (LGT) 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 Land Grant Endowment Trust Fund as described in the Endowment section in Note 1 above. At June 30, 2014 and 2013, approximately 82,223 and 82,393 acres, respectively, were held in trust at zero basis because fair value at the time of transfer was not determinable.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

A summary of the endowments and Land Grant Trust property for the years ended June 30, 2014 and 2013 follows (\$ in thousands)

June 30, 2014	LGETF and LGT	IPF	Other	Total
Assets:				
Notes receivable	\$ 2,182	\$ 246	\$ -	\$ 2,428
Investments	127,099	20,654	746	148,499
Property, rights and other assets	30,053	30,747	1,780	62,580
Total assets	159,334	51,647	2,526	213,507
Liabilities:				
	3,550	15,380	(65)	18,865
Net Position:				
Unrestricted	-	36,267	66	36,333
Restricted - Expendable	27,456	-	-	27,456
Restricted - Non-expendable:	-	-	-	-
Endowment corpus	98,801	-	2,525	101,326
Land Grant Trust Property	29,527	-	-	29,527
Total non-expendable	128,328	-	2,525	130,853
Total net position	\$ 155,784	\$ 36,267	\$ 2,591	\$ 194,642
June 30, 2013				
	LGETF and LGT	IPF	Other	Total
Assets:				
Notes receivable	\$ 2,590	\$ -	\$ 149	\$ 2,739
Investments	116,895	19,064	720	136,679
Property, rights and other assets	30,070	31,004	1,811	62,885
Total assets	149,555	50,068	2,680	202,303
Liabilities:				
	2,845	16,120	-	18,965
Net Position:				
Unrestricted	-	33,948	64	34,012
Restricted - Expendable	17,954	-	7	17,961
Restricted - Non-expendable:				
Endowment corpus	98,803	-	2,609	101,412
Land Grant Trust Property	29,953	-	-	29,953
Total non-expendable	128,756	-	2,609	131,365
Total net position	\$ 146,710	\$ 33,948	\$ 2,680	\$ 183,338

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

6. Capital Assets

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

	Balance (Restated)				Balance
	July 1, 2013	Additions	Reductions		June 30, 2014
Capital assets not depreciated					
Land	\$ 38,172	\$ 1,418	\$ 214	\$	39,376
Construction in progress	402,177	219,930	93,979		528,128
Museum collections	6,076	566	-		6,642
Other capital assets					
Buildings	1,402,302	77,144	3,456		1,475,990
Infrastructure	79,370	12,283	-		91,653
Equipment	188,457	14,333	6,656		196,134
Library books	55,622	604	-		56,226
Leasehold improvements	25,424	-	-		25,424
Other improvements	29,017	2,970	-		31,987
Total	2,226,617	329,248	104,305		2,451,560
Less accumulated depreciation:					
Buildings	699,909	46,944	2,569		744,284
Infrastructure	38,736	2,926	-		41,662
Equipment	132,543	13,598	6,109		140,032
Leasehold improvements	11,045	935	-		11,980
Library books	43,910	1,265	-		45,175
Other improvements	20,176	950	-		21,126
Total accumulated depreciation	946,319	66,618	8,678		1,004,259
Capital assets, net	\$ 1,280,298	\$ 262,630	\$ 95,627	\$	1,447,301
	Balance (Restated)				Balance (Restated)
	July 1, 2012	Additions	Reductions		June 30, 2013
Capital assets not depreciated					
Land	\$ 38,516	\$ 256	\$ 600	\$	38,172
Construction in progress	265,347	274,119	137,289		402,177
Museum collections	5,677	399	-		6,076
Other capital assets					
Buildings	1,288,110	120,692	6,500		1,402,302
Infrastructure	66,639	12,731	-		79,370
Equipment	180,780	19,685	12,008		188,457
Library books	54,642	980	-		55,622
Leasehold improvements	26,203	-	779		25,424
Other improvements	25,649	3,368	-		29,017
Total	1,951,563	432,230	157,176		2,226,617
Less accumulated depreciation:					
Buildings	657,414	44,433	1,938		699,909
Infrastructure	36,065	2,671	-		38,736
Equipment	130,777	13,048	11,282		132,543
Leasehold improvements	10,798	1,026	779		11,045
Library books	42,610	1,300	-		43,910
Other improvements	19,251	925	-		20,176
Total accumulated depreciation	896,915	63,403	13,999		946,319
Capital assets, net	\$ 1,054,648	\$ 368,827	\$ 143,177	\$	1,280,298

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

7. Unrestricted and Restricted Net Position

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

Unrestricted:	2014	2013
Auxiliaries	\$ 11,843	\$ 10,562
Working capital fund	4,464	4,509
Working capital advances	(3,579)	(4,358)
Service centers	22,453	21,892
Debt service funds	13,992	6,021
Renewal and replacement funds	15,304	13,628
Quasi-endowment funds	36,333	34,012
Employee benefit funds	25,846	20,423
Endowment earnings	13,444	13,205
Encumbrances	8,703	14,399
Undesignated	26,228	23,002
Total unrestricted net position	\$ 175,031	\$ 157,295

Restricted:	2014	2013
Expendable:		
Restricted funds	\$ 555	\$ 554
Student loan funds	194	194
Education Trust of Alaska	15,742	11,223
Capital project funds	18,938	41,297
Debt service funds	7,102	7,214
Endowment accumulated earnings	27,456	17,961
Nonexpendable:		
Endowment corpus	101,326	101,412
Land Grant Trust property	29,527	29,953
Total restricted net position	\$ 200,840	\$ 209,808

Unrestricted net position includes non-lapsing University receipts of \$57.4 million at June 30, 2014. Non-lapsing University receipts of \$59.3 million from fiscal year 2013 were fully expended in fiscal year 2014.

At June 30, 2014 and 2013, the following funds were pledged as collateral for the University's general revenue bonds, as calculated under the terms of the 1992 General Revenue Bonds Trust Indenture.

	Pledged Revenue	
	2014	2013
Auxiliaries	\$ 11,843	\$ 10,562
Service centers	22,453	21,892
Encumbrances	8,703	14,399
Undesignated	26,228	23,002
	\$ 69,227	\$ 69,855

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

8. Long-term Debt

Debt service requirements at June 30, 2014 were as follows (\$ in thousands):

Years Ending June 30,	Principal	Interest	Total
2015	\$ 10,015	\$ 5,857	\$ 15,872
2016	10,445	5,530	15,975
2017	10,666	5,167	15,833
2018	10,918	4,801	15,719
2019	10,200	4,421	14,621
2020-2024	54,241	15,695	69,936
2025-2029	36,985	5,654	42,639
2030-2034	11,785	1,107	12,892
2035-2036	560	18	578
	<u>\$ 155,815</u>	<u>\$ 48,250</u>	<u>\$ 204,065</u>

Long-term debt consisted of the following at June 30, 2014 and 2013 (\$ in thousands):

	2014	2013
Revenue bonds payable: 2.00% 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.	\$ 140,555	\$ 148,720
Note payable: 1.826% note payable to the Alaska Housing Finance Corporation (AHFC) to finance construction of Anchorage campus housing, due semiannually through February 2024.	13,655	14,888
Equipment financings: 2.18% to 4.77% notes payable for the purchase of equipment and vehicles due in quarterly installments through June 2021, secured by title liens.	1,605	2,035
	<u>\$ 155,815</u>	<u>\$ 165,643</u>
Premium on bonds	11,478	12,476
Deferred amount on debt refunding	(1,369)	(1,491)
Long-term Debt	<u>\$ 165,924</u>	<u>\$ 176,628</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

In fiscal year 2013, the University issued general revenue and refunding bonds 2013 Series S with a par amount of \$31,020,000 and a 22 year term. The bonds funded numerous deferred maintenance projects and refunded substantially all maturities of 2003 Series L, 2004 Series M and 2005 Series N general revenue bonds. The economic gain from the refunding is \$782,516 in present value and total debt service payments are reduced by \$938,706 over the life of the bonds. The University also defeased \$1,540,000 of 2009 Series P general revenue bonds maturing through October 1, 2017 by contributing cash to an escrow account held by a trustee.

In fiscal year 2014 and 2013, the state reimbursed the University \$1,220,600 and \$1,253,047 respectively, for debt service on certain projects financed in the 2002 Series K general revenue bonds. The reimbursement is included in state appropriations. Subject to annual appropriation, future annual state reimbursement for the projects is approximately \$1.22 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 2013 Series S bonds' supplemental indenture includes a springing amendment that eliminates the reserve fund. The reserve is eliminated once all existing bonds prior to 2013 Series S (Series L through R) have been retired. The balance in the reserve

account at June 30, 2014 and 2013 was \$7.1 million and \$7.2 million, respectively. In addition, \$9.3 million and \$43.9 million of bond funds are held in trust for construction purposes at June 30, 2014 and 2013, respectively, resulting in total bond funds held in trust of \$16.4 million and \$51.1 million at June 30, 2014 and 2013, respectively.

For fiscal year 2014, total interest expense is \$4.1 million and total interest capitalized is \$1.2 million.

9. Capital Lease Obligation

In fiscal year 2013, the University entered into a long term lease agreement with Community Properties of Alaska, Inc. (CPA), an Alaska non-profit corporation, to lease a new student dining facility on the University of Alaska Fairbanks Campus. CPA will build the student dining facility using proceeds from its Lease Revenue Bonds 2012. CPA is leasing the underlying land from the University. Security for the Lease Revenue Bonds 2012 is the University's lease payments to CPA, paid from dining and other university receipts. The University will operate the facility. The University receives title to the facility when the bonds are fully paid off, which may be done at any time. The lease is recorded as a capital lease and the obligation is recorded at the present value of future minimum lease payments.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Future minimum lease payments under this capital lease and the present value of the minimum lease payments as of June 30, 2014 are as follows:

Years Ending June 30,	Future Payments (\$ in thousands)
2015	\$ 621
2016	1,389
2017	1,390
2018	1,389
2019	1,385
2020-2024	6,919
2025-2029	6,895
2030-2034	6,865
2035-2039	6,843
2040-2044	6,809
2045	1,445
Total lease obligations	\$ 41,950
Less: amount representing interest costs	(16,136)
Present value of minimum lease obligations	\$ 25,814

10. Operating Leases

The University has various operating lease agreements for facilities. The expense for operating

leases was \$5.2 million and \$5.6 million for the years ended June 30, 2014 and 2013, respectively

The future minimum lease payments are as follows:

Years Ending June 30,	Future Payments (\$ in thousands)
2015	\$ 3,159
2016	922
2017	758
2018	558
2019	170
2020-2024	520
2025-2029	520
2030-2034	520
2035-2039	520
2040	87
Total lease obligations	\$ 7,734

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

11. Long-term Liabilities

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

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Balance due within one year
Unearned lease revenue	\$ 961	\$ -	\$ 961	\$ -	\$ -
Capital lease obligation	24,953	861	-	25,814	-
Long-term debt	176,628	467	11,171	165,924	10,870
Other noncurrent liabilities	4,519	623	700	4,442	-
	<u>\$ 207,061</u>	<u>\$ 1,951</u>	<u>\$ 12,832</u>	<u>\$ 196,180</u>	<u>\$ 10,870</u>

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Balance due within one year
Unearned lease revenue	\$ 2,242	\$ -	\$ 1,281	\$ 961	\$ 961
Capital lease obligation	-	24,953	-	24,953	-
Long-term debt	163,302	34,983	21,657	176,628	11,164
Other noncurrent liabilities	5,233	135	849	4,519	-
	<u>\$ 170,777</u>	<u>\$ 60,071</u>	<u>\$ 23,787</u>	<u>\$ 207,061</u>	<u>\$ 12,125</u>

12. 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, 2014 and 2013, totaled \$143.3 million and \$243.1 million, respectively. In addition, unexpended proceeds of University-issued general revenue bonds designated for construction projects totaled \$8.6 million and \$33.3 million at June 30, 2014 and 2013, respectively.

Construction commitments at June 30, 2014 aggregated \$98 million. At June 30, 2014, the University had received \$1.1 million from State of Alaska capital appropriations and other sources in

advance of expenditures. The advances are included in unearned revenue and deposits.

As of June 30, 2014 the University has spent \$169.1 million, included in construction in progress, on building a ship named "Sikuliaq". After construction, title of the vessel will be retained by the National Science Foundation, the agency funding the construction, but managed 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 fiscal year 2015 and will be home ported in Alaska at the Seward Marine Center.

13. Pension Plans

Participation in one of the various pension plans generally depends on when an employee was

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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).

The University provides elective deferral options for employee contributions to deferred annuity plans in accordance with Internal Revenue Code sections 403(b) and 457(b), subject to eligibility criteria.

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-DB 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. 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.

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.

The PERS-DB Plan is a plan within the Public Employees' Retirement System (PERS). PERS includes the PERS-DB and Alaska Retiree Healthcare Trust (ARHCT). Senate Bill 123 was passed during the 2007 legislative session and created the ARHCT. ARHCT is self-funded and provides major medical coverage to retirees of PERS. PERS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the Retiree Health Fund (RHF).

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

Funding Policy and Annual Pension Cost

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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 rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due. The 2014 and 2013 actuarially determined rates were 35.68 percent and 35.84 percent of applicable gross pay, respectively. However, the employer contribution rate for the

University was capped by the state at 22 percent for fiscal years 2014 and 2013.

The state appropriated funding directly to the PERS-DB plan as a relief payment to employers' contributions for fiscal year 2014. The University recognized \$16,444,951, \$16,761,931 and \$14,416,865 for fiscal years 2014, 2013 and 2012, respectively, in state on-behalf pension payments for the PERS-DB plan.

The University's Schedule of Required Contributions follows:

Years Ending June 30,	PERS-DB Annual Required Contributions			Postemployment	
	Pension	Postemployment healthcare	Total	Pension percentage contributed	healthcare percentage contributed
2014	\$ 12,375,374	\$ 13,212,806	\$ 25,588,180	100%	100%
2013	11,406,444	14,544,100	25,950,544	100%	100%
2012	11,540,162	14,052,940	25,593,102	100%	100%

Alaska Statutes require the University contribute to PERS-DB and DC plans a minimum each year of 22 percent of the University's fiscal year 2008 PERS covered payroll. The annual required contributions table above includes the additional University contributions of \$2,270,876, \$1,831,664 and \$311,725 for fiscal years 2014, 2013, and 2012, respectively, which were required to adhere to the minimum contribution levels per the statutes.

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 a percentage of annual covered

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

payroll, are sufficient to accumulate the assets to pay benefits when due. During fiscal year 2014, contractually required employee and employer contribution rates were 8.65 percent and 12.56 percent, respectively.

The actuarially determined employer contribution rate for 2014 and 2013 was 53.62 percent and

52.67 percent, respectively. The state appropriated funding directly to the TRS-DB plan to augment employer contributions for 2014. For fiscal years 2014, 2013 and 2012, the University recognized \$16,427,624, \$16,228,064 and \$13,379,877 respectively, in state on-behalf pension payments for the TRS-DB plan.

The University's Schedule of Required Contributions follows:

Years Ending June 30,	TRS-DB Annual Required Contributions			Pension percentage contributed	Postemployment healthcare percentage contributed
	Pension	Postemployment healthcare	Total		
2014	\$ 2,297,489	\$ 2,035,313	\$ 4,332,802	100%	100%
2013	2,335,279	2,205,140	4,540,419	100%	100%
2012	2,524,719	2,399,267	4,923,986	100%	100%

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

and \$9.6 million. Contributions made by the University follows:

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.

Years Ending June 30,	PERS-DC University Contributions		
	Pension	Postemployment Healthcare	Total Contributions
2014	\$ 1,400,416	\$ 1,172,459	\$ 2,572,875
2013	1,007,148	1,110,489	2,117,637

Funding Policy and Annual Pension Cost

The employee contribution rate is 8 percent and the employer effective contribution rate is 22 percent of covered payroll. For the years ended June 30, 2014 and 2013, the University's total covered payroll for the PERS-DC plan was approximately \$11.7 million

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

for fiscal years 2014 and 2013 are 0.48 and 0.48 percent, respectively, for medical coverage and 0.20 and 0.14 percent, respectively, (1.14 percent for peace officers and firefighters) for occupational death and disability benefit contributions. For fiscal years 2014 and 2013, the HRA employer contributions are \$158.05 and \$154.04 per month, respectively, for full time employees and \$1.22 and \$1.18 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 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 individual retirement accounts for the exclusive benefit of members or beneficiaries.

Funding Policy and Annual Pension Cost

The employee contribution rate is 8 percent and the effective employer contribution rate is 12.56 percent of covered payroll. For the years ended June 30, 2014 and 2013, the University's total covered payroll for the TRS-DC plan was approximately \$6.0 million and \$5.6 million. Contributions made by the University follows:

Years Ending June 30,	TRS-DC University Contributions		
	Pension	Postemployment Healthcare	Total Contributions
2014	\$509,126	\$ 243,129	\$ 752,255
2013	443,566	253,755	697,321

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 years 2014 and 2013 for each member's compensation was 0.47 and 0.49 percent, respectively, for medical coverage, zero and zero percent, respectively, for occupational death and disability benefit contributions. For fiscal years 2014 and 2013, the HRA employer contributions are \$158.05 and \$154.04 per month, respectively, for full time employees and \$1.22 and \$1.18 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 - Defined Contribution (ORP)

Plan Description

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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 which was created for participants hired prior to July 1, 2005, ORP Tier 2 which was created for participants hired between July 1, 2005 and June 30, 2006, 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. 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. 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.

Funding Policy and Annual Pension Cost

University contributions are remitted to the plan's authorized employee-selected annuity providers or investment managers. The contribution rates and amounts for fiscal years 2014 and 2013 were as follows:

	<u>ORP Tier 1</u>		<u>ORP Tier 2</u>		<u>ORP Tier 3</u>	
	2014	2013	2014	2013	2014	2013
Employee Contribution Rates	8.65%	8.65%	8.65%	8.65%	8.00%	8.00%
University Contribution Rates	14.00%	14.00%	12.00%	12.00%	12.00%	12.00%
Covered Payroll (in millions)	\$45.8	\$47.3	\$3.2	\$3.3	\$117.3	\$101.4
University Contributions (in millions)	\$6.4	\$6.6	\$0.4	\$0.4	\$14.1	\$12.2

Plan Assets

At June 30, 2014 and 2013, plan assets (participants' accounts attributable to employer contributions) for ORP Tier 1, Tier 2 and Tier 3 had a net value of \$244.4 million and \$199.5 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.

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, 2014 and 2013, employer contributions for regular employees were 7.65 percent of covered wages up to \$42,000. For certain faculty classified as temporary, the employer contributions were 7.65 percent of covered wages up to \$117,000 and \$113,700 in 2014 and 2013, respectively. The plan provides for employer

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

contributions to be invested in accordance with participant-directed investment elections. 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 fiscal years 2014 and 2013, the University's total covered payroll for the Pension plan was \$176.3 million and \$175.4 million, respectively. The University's gross costs to fund and administer the plan totaled \$13.5 million and \$13.4 million for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, plan assets (participants' accounts) had a net value of \$386.1 million and \$340.5 million, respectively.

14. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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

	Balance July 1, 2013	Provision for Claims	Claims Payments	Balance June 30, 2014
Health	\$ 5,733	\$ 55,942	\$ (55,277)	\$ 6,398
General liability	3,198	271	(531)	2,938
Workers' compensation	5,304	960	(1,816)	4,448
Unemployment	117	660	(622)	155
	<u>\$ 14,352</u>	<u>\$ 57,833</u>	<u>\$ (58,246)</u>	<u>\$ 13,939</u>

	Balance July 1, 2012	Provision for Claims	Claims Payments	Balance June 30, 2013
Health	\$ 6,189	\$ 53,900	\$ (54,356)	\$ 5,733
General liability	3,163	834	(799)	3,198
Workers' compensation	4,774	2,047	(1,517)	5,304
Unemployment	146	670	(699)	117
	<u>\$ 14,272</u>	<u>\$ 57,451</u>	<u>\$ (57,371)</u>	<u>\$ 14,352</u>

15. 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.

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.

16. University of Alaska Foundation

The University of Alaska Foundation (Foundation) is a legally separate, nonprofit organization formed in 1974 to solicit donations for the exclusive benefit of the University of Alaska. During the fiscal years 2014 and 2013, the University transferred \$0.8 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 and \$2.4 million, respectively.

For the years ended June 30, 2014 and 2013, distributions and expenditures by the Foundation for the benefit of the University totaled \$13.1 million and \$16 million, of which \$12.9 million and \$15.7 million were direct reimbursements to the

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

University, respectively. Additionally, the University had a receivable from the Foundation of \$1.4 million and \$2.2 million at June 30, 2014 and 2013, respectively, primarily for unreimbursed expenditures incurred on Foundation awards made to the University.

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, 2014 and 2013, the fair value of the fund was \$319.4 million and \$286.3 million, respectively. The University's share of this fund was \$146.2 million and \$134.6 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.

On June 17, 2013, the Foundation entered into a partnership agreement with Cambridge Associates Resources, LLC to form the University of Alaska Foundation Consolidated Endowment Fund, L.P. (the partnership) and assume management of the fund effective July 1, 2013. The partnership is a single investor fund with Cambridge Associates Resources, LLC serving as general partner, and the University of Alaska Foundation serving as the sole limited partner. This relationship does not affect the ownership of units in the Consolidated Endowment Fund by the University or the Foundation. Effective July 1, 2013, all assets of the fund were transferred to the partnership. The investment committee of the Foundation has retained authority for setting investment policy, guidelines and philosophy, and approving asset allocation targets and benchmarks. Under the restructuring plan for the fund, the general partner has been delegated discretionary authority by

the investment committee for manager selection and termination, management of cash flows to and from investments of the partnership, due diligence on underlying managers and investments, and performance reporting.

As a result of the partnership formation, the Foundations changed its presentation of the Statement of Financial Position. In fiscal years 2013 and before, the University and the Foundation reported their respective shares of the Consolidated Endowment Fund in their financial statements. Beginning fiscal year 2014, the Foundation incorporated the total value of the Consolidated Endowment Fund into its Statement of Financial Position, and University's portion of the Consolidated Endowment Fund is presented as Assets Held for University of Alaska in the Statement of Financial Position.

The financial statements of Foundation may be obtained by writing to University of Alaska Foundation, P.O. Box 755080, Fairbanks, Alaska 99775 or by calling (907) 450-8030.

17. Prior Period Adjustment

In Fiscal Year 2014, the University began to depreciate library books in accordance with Generally Accepted Accounting Principles. The change required retroactively computing depreciation expense. As a result of the change, the beginning net position as of July 1, 2012 was restated, resulting in a decrease of \$42.6 million in net investment in capital assets, and capital assets, net of accumulated depreciation decreased by \$42.6 million. The change represents the amount of depreciation expense that would have been recognized through that date had the University previously depreciated library books using a 20 year useful life. As part of the change, additional depreciation expense of \$1.3 million was recorded in fiscal year 2013.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

18. Functional and Natural Expense Classifications

The University's operating expenses by functional and natural classification for fiscal years 2014 and 2013 were as follows (\$ in thousands):

FY 2014	Compensation & Benefits	Contractual Services	Materials	Other	Student Aid	Depreciation	Total
Instruction	\$ 183,163	\$ 24,463	\$ 9,146	\$ 515	\$ -	\$ -	\$ 217,287
Academic support	52,117	6,706	8,120	71	-	-	67,014
Research	88,540	34,238	7,052	12	-	-	129,842
Public service	26,813	15,639	2,913	266	-	-	45,631
Student services	39,740	11,746	2,959	131	-	-	54,576
Operations and maintenance	30,547	22,671	14,511	1,189	-	-	68,918
Institutional support	75,231	16,343	3,829	390	-	-	95,793
Student aid	-	-	-	-	26,872	-	26,872
Auxiliary enterprises	10,225	17,741	7,531	217	-	-	35,714
Depreciation	-	-	-	-	-	66,618	66,618
State on-behalf payments	-	-	-	32,873	-	-	32,873
	\$ 506,376	\$ 149,547	\$ 56,061	\$ 35,664	\$ 26,872	\$ 66,618	\$ 841,138

FY 2013 (Restated)	Compensation & Benefits	Contractual Services	Materials	Other	Student Aid	Depreciation	Total
Instruction	\$ 176,859	\$ 25,974	\$ 11,057	\$ 349	\$ -	\$ -	\$ 214,239
Academic support	50,246	7,456	7,379	55	-	-	65,136
Research	89,514	34,416	8,925	50	-	-	132,905
Public service	25,826	12,961	2,263	310	-	-	41,360
Student services	39,296	12,105	3,407	136	-	-	54,944
Operations and maintenance	29,095	17,143	17,020	106	-	-	63,364
Institutional support	73,612	17,308	4,616	536	-	-	96,072
Student aid	-	-	-	-	28,755	-	28,755
Auxiliary enterprises	9,671	16,913	8,534	158	-	-	35,276
Depreciation	-	-	-	-	-	63,403	63,403
State on-behalf payments	-	-	-	32,990	-	-	32,990
	\$ 494,119	\$ 144,276	\$ 63,201	\$ 34,690	\$ 28,755	\$ 63,403	\$ 828,444

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APPENDIX B

Form of Trust Indenture

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UNIVERSITY OF ALASKA

TRUST INDENTURE,
as AMENDED*

between

UNIVERSITY OF ALASKA,
as Issuer

and

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

GENERAL REVENUE BONDS

Dated as of June 1, 1992

* Each amendment to the Trust Indenture is bolded and includes an effective date.

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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, end 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

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.

"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 accreting 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

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.

"Installment 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.

(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

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 earning 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.

"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

agreements by or on behalf of, and other provisions for the benefit at, 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.

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;

(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 1106.

(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

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 monies 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.

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 of 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 of 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 of 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 of and 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 of 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.

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 required 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.

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 imitations 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

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

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.

(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 d the Series of Bonds Outstanding. Amounts held in a Credit Enhancement Fund shall not be considered a part of the Trust Estate but, rather, shall be subject to such lien and pledge as may be created in the Supplemental Indenture creating or recognizing such Credit Enhancement.

(c) If the University creates a Credit Enhancement Fund, the University may, in the Supplemental Indenture authorizing the Series of Bonds to be secured by Credit

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

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.

(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

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 any 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

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 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 whomever. The

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.]*

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,

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.

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;

(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

(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

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

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 of or 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

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

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 therefor 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:

(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 306, 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

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

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

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 s on file with the Trustee) has been consented to by the

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 Bond 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 on or prior to the redemption date or maturity date thereof, as the case may be, and (3) the University shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with 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.

(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 dosed, 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 dosed, 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
Butrovich 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

B-32

APPENDIX C

Form of Opinion of Bond Counsel

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WOHLFORTH | BRECHT | CARTLEDGE

A PROFESSIONAL CORPORATION

Julius J. Brecht
Cynthia L. Cartledge
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July __, 2015

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 Bonds, 2015 Series T (the "Bonds") in the aggregate principal amount of \$65,350,000. 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 June 4-5, 2015 (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 amended and supplemented by prior supplemental indentures and, specifically for the Bonds, by a Seventeenth Supplemental Indenture between the University and the Trustee, dated as of July 1, 2015 (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>
2018	\$1,670,000	5.00%	2029	\$2,900,000	5.00%
2019	1,760,000	5.00	2030	3,045,000	5.00
2020	1,850,000	5.00	2031	3,200,000	5.00
2021	1,945,000	5.00	2032	3,365,000	5.00
2022	2,040,000	5.00	2033	3,540,000	5.00
2023	2,145,000	5.00	2034	3,720,000	5.00
2024	2,255,000	5.00	2035	3,910,000	5.00
2025	2,375,000	5.00	2036	4,110,000	5.00
2026	2,495,000	5.00	2037	4,325,000	5.00
2027	2,620,000	5.00	2039	9,325,000	5.00
2028	2,755,000	5.00			

The Bonds shall bear interest from the date of delivery. The first interest payment date shall be October 1, 2015, 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, subject to laws relating to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights theretofore or hereafter enacted to the extent applicable and subject to the exercise of individual discretion in appropriate cases and to the application of equitable principles if equitable remedies are sought. 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.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement or a supplemental opinion dated the date hereof).

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

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 \$65,350,000 University of Alaska General Revenue Bonds, 2015 Series T (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 Seventeenth Supplemental Indenture dated as of July 1, 2015, 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 Participating Underwriter 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.

"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 2016 for the fiscal year ended June 30, 2016), 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 GENERAL REVENUE BONDS - Table 2: Revenues Pledged to General Revenue Bonds (for previous fiscal year);

- (b) SECURITY FOR THE GENERAL REVENUE 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 Registration 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) STATE APPROPRIATIONS TO THE UNIVERSITY - Table 11: Summary of State Appropriations (for current fiscal year).

Any or all of the items listed above may be incorporated by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's internet web site or filed with the Commission.

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 tax status of the Bonds, and (iv) other material events affecting the tax status of the Bonds.

(6) Defeasances.

(7) Rating changes.

(8) Tender offers.

(9) Bankruptcy, insolvency, receivership or similar event of 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 Commission.

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: July 15, 2015

UNIVERSITY OF ALASKA

MYRON J. DOSCH
Controller

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UNIVERSITY
of ALASKA

Many Traditions One Alaska



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