

**Alaska Municipal Bond Bank Authority
Investment Policy**

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1.0 Statutory Authority

Listed below is a brief summary of the statutes regarding the Alaska Municipal Bond Bank Authority's creation, authority and responsibility. These statutes provide that the Authority: 1) has the power to invest its funds, subject to agreements with bond holders, and 2) has the powers and responsibilities established in AS 37.10.07 (the prudent investor rule) with respect to the investment of amounts held by the Authority.

AS 44.85.005 - 44.85.420 creates the Alaska Municipal Bond Bank Authority.

AS 44.85.020. CREATION OF ALASKA MUNICIPAL BOND BANK AUTHORITY. There is created the Alaska Municipal Bond Bank Authority. The Authority is a public corporation and government instrumentality within the Department of Revenue but having a legal existence independent of and separate from the state and has continuing succession until its existence is terminated by law.

AS 44.44.85.080. GENERAL POWERS. In addition to other powers granted in this chapter, the Authority may:

- (13) invest funds or money of the Bond Bank Authority not required at the time of investment for loan to political subdivisions for the purchase of municipal bonds, in the same manner as permitted for investment of funds belonging to the state, except as otherwise provided in this chapter.

AS 44.85.180(c) Issuance of bonds and notes. The total amount of Bond Bank Authority bonds and notes outstanding at any one time, except bonds or notes issued to fund or refund bonds or notes, may not exceed \$1,000,000,000.

2.0 Delegation of Authority

Overall management responsibility for the investment program is retained by the Bond Bank's Board of Directors with certain powers delegated to the Executive Director and the Investment Committee (as defined below)

An Investment Committee consisting of a representative of the Board, the Executive Director and the Financial Advisor has been established (the "Investment Committee"). The Executive Director chairs the Investment Committee and establishes meeting dates and times. The Investment Committee has primary responsibility for oversight of investments and recommends updates to investment policy. The Investment Committee can modify authorized investments for up to 90 days or until the next scheduled board meeting.

3.0 Management

The purpose of the Bond Bank is to provide Alaskan municipalities access to low cost funds for capital projects. The Bond Bank achieves this goal by issuing bonds secured primarily by a moral obligation pledge of the state, a pledge of a Bond Bank level reserve, a pledge of the underlying borrowing municipality, and, if applicable, an ability to intercept revenues of the borrower. These bonds have been rated in the “A” category since the Bond Bank program was developed, and more recently achieved ratings in the mid “AA” category. The rates achieved on these bonds are then passed through to the municipality, providing a reduced cost of capital.

The 1976 resolution requires at least 2/3 of the reserve be cash funded and almost all of the revenue bond reserves were entirely cash funded. Beginning in 2005 the Bond Bank instituted use of a new resolution that allows more liberal use of debt to fund reserve requirements. An important consideration for investing reserves is the cash flows associated with the debt service on reserve obligations issued to fund the reserve.

The Bond Bank’s assets are contained within three general types of funds: 1) those held in reserves as required by bond resolution; 2) the funds in the Custodian Account of the Bond Bank; and 3) the Bond Bank payments of municipalities received seven days prior to debt service payments.

1. Funds and Accounts

1. Custodian Account (held by custodian bank First National Bank Alaska)

This account acts as the operating fund of the Bond Bank and is placed with the Bond Bank’s Custodian Bank. All funds not controlled by bond resolutions are held in the Custodian Account of the Authority. Funds flow in and out of the Custodian Account to fund bond issue’s reserves and hold earnings of the Authority as required by resolution and statute. Investment earnings of the original appropriations of the Authority are used to pay for operational expenses of the Authority and fund an annual payment to the State. There are no federal arbitrage yield limitations on this account and investment should maximize return subject to permitted investment limitations. As the Custodian Account balance has been reduced to a size that cannot maintain sufficient diversification and liquidity with a more aggressive investment policy, in 2005 the investment policy was rewritten to allow a shift to lower risk investments when the fund balance falls below \$15 million.

This account funds reserves and pays for operational expenses of the Bond Bank. The intended uses of this account, the money it holds, and the consequences of a loss are as follows:

- a. To hold assets of the Authority that have not been placed in Bond Reserves, including the appropriations to the Authority (over \$30 million), the unreserved investment earnings (a special appropriation of \$5,727,053 in 1992, net investment income from the ordinary reserve from 1977 to 1992, and annual investment income from these funds), and the investment earnings of all the assets of the Authority.
- b. To fund bond reserves as needed. This is accomplished by transferring funds or securities to the Authority’s Trustee for placement in a specific bond reserve.

- c. To pay the operational costs of the Authority as it pursues its mission, including costs related to issuance of debt, meetings of the Authority, and outreach and education for municipalities. Investment earnings of the original appropriations are used for this purpose.
- d. To pay the annual payment to the State's General Fund. This payment is the investment earnings of the original appropriations that remain after operating expenses of the Authority are paid. The funds should be invested to maximize this amount within the established risk parameters.
- e. To replenish a reserve fund should an event occur that causes the balance to fall below the required level. This has not happened in the history of the Bond Bank. The ability of the Custodian Account to meet this need is important to the credit rating of the Authority. Accordingly, the account should not be invested in a manner that would incur risk of inability to replenish a draw on the reserve.
- f. To provide additional capital for bond reserves and allow for future increases in the debt ceiling of the Bond Bank. This capital is created in the unreserved earnings of the Authority and the ongoing investment earnings of these funds.

The routine transfers out of the Custodian Account are investment earnings of the original appropriations for operation or general fund transfer, extraordinary appropriations, or reserve fund funding. Investment earnings of the unreserved investment earnings remain in the Custodian Account. The operating expenses cap is established annually by the budget and paid throughout the year while the general fund transfer is determined by the prior fiscal year's investment earnings remaining after paying for operations and made in the final month of the following fiscal year

It is anticipated that additional funds will be transferred from the Custodian Account to be placed in Bond Reserves as required by activity. Funds transferred to reserves are not spent, but are transferred from the custodian bank to the Trustee bank and segregated into accounts pledged to a specific bond issuance(s). As the investment of Reserve Funds is structured to minimize loss the transfer required liquidating more aggressive investments when the Custodian Account was benchmarked to the Lehman Aggregate. From 2001 through October 2012, the dollar amount of outstanding bonds has increased from \$197 million to \$741 million. This has resulted in a correlated increase in the size of reserves.

On December 1, 2010, and again in August 2011 the Bond Bank borrowed from the State of Alaska general fund under the authority of AS 44.85.270(i). These loans were used to fund bond reserve deposits. The loans carried a variable rate based on the return on the general fund and were expected to last for a term of less than five years. These loans were forgiven in the state's FY 2013 capital budget through a \$13.2 million appropriation. Limited additional borrowing from the general fund may be undertaken.

Projecting forward, continuation of the gradual trend of increasing outstanding par amount of bonds is expected.

There will be a gradual release of funds from the 1976 reserve to the Custodian Account as bonds outstanding bonds mature or are refunded into the 2005 program and the correlated

reserve requirement diminishes. The investment of the 1976 special and ordinary reserves should take into consideration the expected trend of principal balance.

2. Bond Reserve Funds (held by Trustee)

Funds under the control of bond resolutions referred to as “Reserve Funds” are restricted by the applicable bond resolution. These funds’ ability to generate yield is restricted by the arbitrage yield limit on the bonds they secure. While earnings subject to rebate can exceed the applicable arbitrage yield limit, any cumulative excess return calculated on a five-year rolling schedule will be rebated to the Internal Revenue Service. All Bond Reserve Funds are audited quarterly by the trustee. Excess amounts are transferred to the custodian account and deficiencies must be made up from the custodian account.

(a) 1976 General Bond Resolution, adopted May 27, 1976 (the “1976 General Bond Resolution”) provided authorization for issuing all general obligation bonds of the Authority prior to 2005. The 1976 Resolution created a Reserve Fund, consisting of a special reserve account (the “Special Reserve Account”) and an ordinary reserve account (the “Ordinary Reserve Account”). The Special Reserve was funded as needed with funds from the Custodian Account and the Ordinary Reserve Account was funded as needed with bond proceeds. The reserves are available in the case of a deficiency in a Debt Service Fund in accordance with the bond resolutions. As of August 2012 the 1976 Reserve Fund was comprised entirely of the Special Account. Since the 1976 resolution is no longer used, the reserve requirement will gradually diminish to zero as outstanding bonds mature.

(b) 2005 General Bond Resolution, adopted July 13, 2005 provides authorization for issuing the majority of general obligation bonds of the Authority to fund both general obligation and revenue bond loans to municipalities. The 2005 Resolution creates a Reserve Fund with flexibility in funding source, either bond proceeds, State appropriations, or a surety policy may be used. The reserve is available in the case of a deficiency in a Debt Service Fund in accordance with the bond resolutions.

(c) 2010 General Bond Resolution, adopted October 19, 2010 provides authorization for issuing general obligation bonds of the Authority to fund lease obligations of municipalities. The 2010 Resolution creates a Reserve Fund that has flexibility in allowed funding.

(d) Revenue Bond Resolutions (the “Revenue Bond Resolutions”) consist of five remaining series of bonds. The Revenue Bond Resolutions were used in issuing stand-alone revenue bond issues prior to 2005. Pursuant to the terms of each Revenue Bond Resolution a Reserve Fund is created. The Bond Bank has the ability to either use appropriated funds from the Custodian Account or bond proceeds to fund the reserves held for revenue bonds issued by the Bond Bank. To date the Bond Bank has used funds from the Custodian Account for all issues’ reserve funding except the 2003 Series B and 2004 Series A. There are no additional stand alone revenue bond resolutions contemplated at this time, and as bonds reach final maturity or are refinanced they will be consolidated into the 2005 Resolution.

Investment of moneys and funds held in the 1976 Reserve Fund, 2005 Reserve Fund, 2010 Reserve Fund, and Revenue Reserve Funds is controlled by Resolution. Permitted investments are limited to the following securities:

1. Direct obligations of or obligations insured or guaranteed by the United States of America or agencies or instrumentalities of the United States;
2. Money market funds, that are SEC registered, in which the securities of the fund consist of obligations listed in item 1 of this section.
3. Interest-bearing time deposits or certificates of deposit of a bank or trust company continuously secured and collateralized by obligations of the type described in item 1 of this section, or by general obligations of the State having a market value at least equal at all times to the amount of such deposit or certificate, to the extent such deposit or certificate is not insured by the Federal Deposit Insurance Corporation or any successor thereto.

Included in Exhibit A & B are excerpts from the 1976, 2005, & 2010 General Bond Resolutions as well as the Revenue Bond Resolutions defining "Investment Securities"

(e) Municipal Debt Payments (held by Trustee/Paying Agent)

Per bond resolutions, debt service payments are made seven business days in advance of debt service coming due. Investment of these funds is limited by the bond resolutions. Due to the short duration, these funds will be held in a US Treasury money market fund or agency securities.

UPDATED TO August 31, 2012

	Custodian Account	1976 Reserve Fund	2005 Reserve Fund	Revenue Bond Resolutions	Total AMBBA Assets
Market Value	22,666,785				
Market Value 2005 Reserve			41,446,647		
Market Value Ordinary Reserve (bond funded)		1,318,210			
Market Value Special Reserve (cash funded)		6,923,851			
Revenue Bond Reserve Funds & Investment Earnings Account (8 accounts)				4,874,718	
Total	22,666,7858	8,242,061	41,446,647	4,874,718	77,635,048

This table shall be updated at least semi-annually and presented to the Board at the first meeting of the fiscal year and the first meeting after January 1.

4.0 Prudence

As established by 37.10.071 (c) the management and investment of assets by the Bond Bank shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor would use in the conduct of an enterprise of a like character and with like aims. This is commonly known as the “Prudent Investor Standard”.

- A. The Prudent Investor Standard shall be applied by the Bond Bank in the context of managing an overall portfolio. Investment officials acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action taken to control adverse developments.

5.0 Investment Objectives

There are distinct investment objectives associated with the Custodian Account, Reserve Funds, and municipal debt payments. The objectives for these three classes of funds are listed below in order of priority.

A. The Custodian Account

1. Return on Investment: The Custodian Account investment portfolio shall be designed with the objective of attaining the highest market rate of return subject to the required use of the Account for operation, funding transfers to the state, and funding reserves. When the Account balance allows, a longer investment horizon shall be implemented for the Custodian Account, accepting the limited probability of short-term loss in exchange for higher yield on investments. The Account balance must exceed \$15 million, be forecast to exceed \$15 million for the subsequent six month period, and an analysis of risk profile and historical benefit between the varying strategies must be undertaken before any shift in the investment strategy of the Account.
2. Liquidity: The Custodian Account has to maintain sufficient liquidity to meet operating requirements, provide the prior fiscal year’s state dividend, and to allow transfers to reserves as needed for bond issuance activity. When the Account balance falls below \$15 million liquidity concerns become the highest priority of the Account. The annual operating budget has been set at \$838,500 for FY 2013. The maximum statutory sweep to the State’s general fund over the last five years was \$855,347, but all of these five years earnings have been appropriated back to the Custodian Account. Custodian Account fund balance has remained within a \$4 to \$22 million band over the last five years. The liquidity requirement for the operating budget and the annual state payment are very predictable and longer-term investments should be structured to meet these annual needs. Transfers from the Custodian Account to fund new reserves are more

difficult to predict and with a diminished Account balance represent the primary liquidity issues of the Custodian Account.

To ensure liquidity is assessed properly: 1) the annual budget and annual audit shall be provided to the investment manager when available to detail anticipated expenditures during the fiscal year; 2) the Executive Director shall provide the investment manager with semi-annual updates on expected bonding activity and transfers to reserves to replenish reserve balance from maturing securities transferring out; and, 3) as soon as the Authority provides a loan to a municipal borrower, the investment manager shall be told of any impact on investments.

3. Preservation of Principal: Long-term preservation of principal is the third objective of the Custodian Account's investment program. Investments shall be undertaken in a manner that minimizes the probability of long-term loss.

B. The Bond Reserve Funds

1. Preservation of Principal: Preservation of Principal is the foremost objective of the Reserve Funds' investment program. These funds shall be managed to ensure that the corpus is preserved. These funds are valued quarterly with excess flowing the Custody Account and deficiency funded from the Custody Account.

2. Liquidity: These funds will need to provide for debt service on reserve obligations, but will generally not be expended until the final maturity of the bond issue they secure, unless there is a failure to pay debt service by a community. There has been no failure to pay during the Authority's history, indicating a low probability of expending these funds. However, there is limited ability to maximize return due to arbitrage yield limitations on bonds, and to the extent these funds were needed it would be critical they became available quickly. For revenue bond reserves the Authority would have a year's warning of impending draws and with the 1976 Reserve Fund the prior notice for that portion of the reserve needed for a particular issue's debt service would occur within seven days. An appropriate level of liquidity needs to be maintained to ensure the ability to meet the purpose of the reserves. To determine scheduled cash flow need for debt service on reserve obligation bonds the Authority's financial advisor will provide a schedule to the investment manager on an annual basis on June 30 or at any time bonds are issued.

3. Return on Investment: Due to IRS restrictions, there is limited benefit in maximizing return it is the least important objective of the Reserve Funds. It is anticipated that the Reserve Funds cumulative average return should target the blended arbitrage yield limit of the bond issues secured. Currently arbitrage rebate limits vary between 3 and 5%

C. Municipal Debt Payments

1. Preservation of Principal and Liquidity: Preservation of principal and liquidity are the foremost objectives of the Municipal Debt Payments investment program, as these funds will be expended within seven business days of receipt.

2. Return on Investment: Return on investment is a benefit of holding these funds for the advance payment period, but not the focus of investing the funds.

6.0 Investment Policy

This section outlines the investment policy for the Custodian Account, Reserve Funds, and the Municipal Debt Payments.

A. Custodian Account

The account balance is a critical component in determining anticipated life, ability to diversify, and investment policy in this account. Accordingly, when the account balance is above \$15 million a more aggressive policy may be implemented. When the account balance is below \$15 million a more conservative policy will be used.

Shifting from one asset allocation to another may be approved by the investment committee when there is a projection of a continued trend in account balance justifying the shift. Before shifting to the more conservative policy projections will need to show fund balance of less than \$15 million for the following 12 month period. Before shifting to the more aggressive policy projections will need to show fund balance of more than \$15 million for the following 12 month period. Any shift in investment policy of the Custodian Account may be phased in over up to six months following the decision to shift.

These funds will be invested with the following in mind:

Risk Tolerance	Flexible low to high. When the account balance is below \$15 million risk tolerance is low as much of the money in the fund may be expended over a short to intermediate time horizon, material loss would affect the Authority's ability to meet obligations and meet future financing needs. When the account balance is over \$15 million risk tolerance is moderate.
Investment Objectives	Flexible based on fund balance. Low exposure to principal loss when fund balance is below \$15 million. Intermediate liquidity requirement. Moderate to high exposure of principal loss for possibility of higher return over time when fund balance is over \$15 million. Low liquidity need beyond known annual budget and disbursement to state general fund.
Time Horizon	Flexible When the account balance is below \$15 million the anticipated time horizon is short to intermediate (one to five years) due to account balance and recent issuance trends there may be a need for transferring significant portions of the account to reserves in the next several years.

When the account balance is above \$15 million the anticipated time horizon is intermediate (one to five years) to long (entire range of investments). Unless there is a significant shift in use of the Authority and a change in state statute a majority of this money will not be expended in the next five years.

Special Considerations No arbitrage rebate restrictions.
Some of this account's earnings are used to calculate the state's general fund payment.
Target cash flow to match annual budget and payment to state's general fund.

Effective October 30, 2012, the Alaska Municipal Bond Bank Authority's investment policy for the Custodian Account when the balance of the account is less than \$15 million is:

20% Money Market Fund
80% Government Agencies and U.S. Treasuries with Maturities of less than 5 years

Effective October 30, 2012, the Alaska Municipal Bond Bank's performance benchmark for the Custodian Account is:

20% Three-month U.S. Treasury Bill
80% Merrill Lynch 1-5 Government Index

When the Custodian Account balance exceeds \$15 million the Money Market percentage of the portfolio shall drop to the greater of 10% or a percentage equate to \$750,000 of market value. Depending upon other market criteria and if the balance is expected to remain over \$15 million the Alaska Municipal Bond Bank Authority's investment policy for the Custodian Account may shift to:

The greater of 10% or a percentage equal to \$750,000 in market value	Money Market Fund
Up to 90%	Broad US Bond Market Fund

During such times the Alaska Municipal Bond Bank Authority's performance benchmark for the Custodian Account shall be:

The greater of 10% or the percentage of the fund invested that is benchmarked to Money Market Fund **Three-month U.S. Treasury Bill**

Up to 90% **Barclays Capital Bond Index**

If the Investment Committee determines that a shift to the more aggressive investment strategy is not appropriate the investment policy and benchmark shall be the below \$15 million strategy with the exception of diminishing the money market fund percentage to the greater of 10% or a percentage equal to \$750,000 in market value.

B. Bond Reserve Funds

These funds will be invested with the following in mind:

Risk Tolerance	Low. While much of the money in the fund will be expended over an intermediate to long time horizon, material loss would affect outstanding obligations.
Investment Objectives	Low exposure to principal loss. Intermediate liquidity requirement. Arbitrage yield limitations reduce the benefit of obtaining higher yields.
Time Horizon	While the anticipated time horizon is intermediate (one to five years) to long (entire spectrum of investments) there may be a need for cash quickly in the event of a payment delinquency. Revenue reserves shall have a minimum of one year advance notice of a potential draw for as much as the entire reserve. The general obligation reserve may have only as much as a seven day notice of the need for a draw on the reserve. The expectation is that much of the money will be spent as scheduled for debt repayment or returned to the Custodian Account in greater than five years.
Special Considerations	Bond Resolutions limit allowed investment of these funds, investment risk should be examined on an annual basis to ensure that no greater than the minimum level of risk required to achieve the highest probability of earning the arbitrage yield limit on the bonds is incurred.

Effective October 30, 2012, the Alaska Municipal Bond Bank Authority's investment policy for the Reserve Funds is:

100% Government Agencies and U.S. Treasuries with Maturities of less than 5 years

Effective October 30, 2012, the Alaska Municipal Bond Bank's performance benchmark for the Reserve Funds is:

100% Merrill Lynch 1-5 Government Index

C. Municipal Debt Payments

These funds will be invested with the following in mind:

Risk Tolerance Low. All of the money will be expended within seven business days. Material loss would affect outstanding obligations.

Investment Objectives Low exposure of principal loss. High liquidity requirement.

Time Horizon Short. All of the money is expected to be spent in less than seven business days

Other Constraints Bond resolutions limit investments

Effective October 30, 2012, the Alaska Municipal Bond Bank's performance benchmark for the Municipal Debt Payments is:

100% Money market fund

Effective October 30, 2012, the Alaska Municipal Bond Bank Authority's performance benchmark for the Municipal Debt Payments is:

100% Three-month U.S. Treasury Bill

7.0 Diversification, Concentration & Subsequent Events:

See Appendix A for a list of the Permitted Investments associated with the Custodian Account.

It is the policy of the Authority to diversify its investments and to ensure the safety and liquidity of the investments by observing the following sound investment practices:

- A. Not more than 5% of the Custodian Account may be invested in the corporate debt of any one issuer, at the time of purchase.
- B. In the event of a credit downgrade which reduces a security below the required rating written notification will be made to the Investment Committee setting forth the particulars of the downgrade and recommending a course of action.
- C. Not more than 50% of the Custodian Account may be invested in corporate securities, at the time of purchase
- D. The duration of the Custodian Account must remain within 80 to 120 percent of the duration of the prevailing performance benchmark.
- E. Purchases of more than 10% of a corporate bond issue shall not be made.

8.0 Safekeeping and Custody:

All security transactions, including collateral for repurchase agreements, entered into by the Bond Bank shall be conducted on a delivery versus payment basis. Securities will be held by a third party custodian designated by the Executive Director and evidenced by safekeeping receipts and statements

9.0 Reporting:

A monthly report shall be prepared by the Custodian as well as by the Investment manager summarizing investment activity in the portfolios. Performance reporting will be prepared and presented to the Executive Director on a quarterly basis.

EXHIBIT A

CUSTODIAN ACCOUNT

Permitted Investments

Investment of funds and money held in the Custodian Account are limited to:

- a. Money market investments comprising:
 - Repurchase agreements collateralized only by U.S. Treasury obligations, including bills, notes, and bonds, and only when the collateral carries a market value equal to or greater than 102% of the amount of the repurchase agreements, and only when the custodial bank appointed by retirement funds will take custody of the collateral;
 - Commercial paper rated at least Prime-1 by Moody's Investor Services, Inc. and A-1 by Standard and Poor's Corporation; and
 - Negotiable certificates of deposit and bankers acceptances; provided that an issuing bank must have total assets in excess of \$5 billion.
 - US Treasury or US Agency & Corporate
- b. United States Treasury obligations including bills, notes, bonds, and other debt obligations issued by the United States Treasury, and backed by the full faith and credit of the U.S. Government.
- c. Other full faith and credit obligations of the U.S. Government.
- d. Securities issued or guaranteed by agencies and instrumentalities of the U.S. Government, but not explicitly backed by the full faith and credit of the U.S. Government.
- e. Securities issued or guaranteed by municipalities in the United States rated in one of the three highest rating categories by both Moody's Investors Services, Inc., and Standard & Poor's Corporation.
- f. Obligations of foreign governments, sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars rated in one of the three highest rating categories by both Moody's Investors Services, Inc., and Standard & Poor's Corporation.
- g. Investment grade corporate debt securities comprising:
 - Corporate debt issued in the U.S. capital markets by U.S. companies;
 - Euro-dollar debt (that is, U.S. dollar-denominated securities issued outside the U.S. capital markets by U.S. companies or by foreign issuers); and
 - Yankee debt (that is, U.S. dollar denominated obligations issued in the U.S. capital markets by foreign issuers).
 - Investment grade Asset-Backed Securities.

- Mortgage-Backed Securities (MBS's) and Collateralized Mortgage Obligations (CMO's) comprising:
 - Agency MBS investments issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
 - CMO investments securitized by agency MBS's issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Governmental National Mortgage Association; provided that permissible CMO investments include only sequential class CMO's or type I planned amortization class CMO's.

Investment Practices and Investment Restrictions

1. Prohibited Transactions

The following transactions are prohibited with the Custodian Account of the Alaska Municipal Bond Bank unless those transactions have the prior written consent of the Investment Committee:

- Short sale of securities (the sale and settlement of a security not currently owned by the Authority and a formal agreement to borrow the security to facilitate the settlement of the short sale);
- Purchases of futures, forwards or options for the purpose of speculating (currency futures, forwards and options are permitted only for hedging or to facilitate otherwise permissible transactions);
- Borrowing to leverage the return on investments. Extended settlement of securities purchases executed to facilitate or improve the efficiency of a transaction will not be considered borrowing, provided that sufficient cash equivalent securities or receivables are available to facilitate the extended settlement;
- Purchases of "private placement" or unrated corporate bonds;