

**ALASKA MUNICIPAL BOND BANK
AUTHORITY
BOARD OF DIRECTOR'S MEETING**

**TO BE HELD AT
State of Alaska Department of Revenue
Treasury Conference Room
333 Willoughby Avenue, 11th Floor
Juneau, Alaska 99811**

February 9, 2017

2:00 P.M. ADT





333 Willoughby Avenue, 11th Floor
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AGENDA FOR BOARD OF DIRECTOR'S MEETING

Meeting Place:

State of Alaska – Department of Revenue
Treasury Conference Room
333 Willoughby Avenue, 11th Floor
Juneau, Alaska 99811

February 9, 2017 at 2:00 p.m. ADT

- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. Approval of Agenda**
- V. Minutes of the January 10, 2017 Meeting of the Board of Directors**
- VI. General Business**
 - A. Yukon-Kuskokwim Health Corporation (YKHC) – Credit Review & Discussion**
 - B. Resolution 2017-01 - Authorizing the Series 2017A Bonds**
 - C. City of Unalaska – Credit Review & Discussion**
 - D. City of Seward – Credit Review & Discussion**
 - E. City of Whittier – Credit Review & Discussion**
 - F. Kenai Peninsula Borough – Credit Review & Discussion**
 - G. Executive Director's Report**
- VII. Public Comments**
- VIII. Board Comments**
- IX. Adjournment**

Alaska Municipal Bond Bank Authority - Board of Directors Meeting

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[Attachments, History, Details](#)

Attachments

[AMBBA Board of Directors Meeting 2.9.17.pdf](#)

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MINUTES for the BOARD OF DIRECTORS MEETING

ALASKA MUNICIPAL BOND BANK AUTHORITY

January 10, 2017

I. CALL TO ORDER

Mark Pfeffer called the meeting to order at 10:06 AM, Alaska Daylight Time. Members participated at State of Alaska, Department of Revenue, Commissioner's conference room, 333 Willoughby Avenue, 11th Floor, Juneau, Alaska 99811, and telephonically.

II. ROLL CALL

Mark Pfeffer
Greg Gurse
Michael Lamb
Luke Welles
Pam Leary

OTHERS IN ATTENDANCE:

- Deven Mitchell, Executive Director, Alaska Municipal Bond Bank
- Ryan Williams, Finance Director, Alaska Municipal Bond Bank
- Chip Pierce, Financial Advisor, Western Financial Group
- Susan Barry, Bond Counsel – AMBBA, Orrick, Herrington & Sutcliffe, LLP
- Craig Chapman, Finance Director, Kenai Peninsula Borough
- Dan Winkelman, President / CEO, Yukon-Kuskokwim Health Corporation (YKHC)
- Tommy Tompkins, CFO, YKHC
- Lisa Wimmer, Project Finance Manager, YKHC
- Deanna Latham, VP of Support Services, YKHC

- Fred Eoff, Director, PFM
- Josh Pepperd, GC, ASKW/Davis
- Kent Crandall, Senior Project Manager, Arcadis
- Ken Vassar, Law Office of Ken Vassar
- Isaac Sine, Executive Director, JP Morgan Securities, LLC
- Will Frymann, Managing Director, JP Morgan Securities, LLC
- Laura Janke, Managing Director, RBC Capital Markets, LLC
- Marc Greenough, Foster Pepper

III. PUBLIC MEETING NOTICE

A copy of the Online Public Notice concerning the date, location, and purpose of the meeting was reviewed for the record. The public notice was officially published on January 3, 2017 on the official Alaska Online Public Notice website for the January 10, 2017 meeting date.

IV. APPROVAL OF AGENDA

The agenda was reviewed by the board. The agenda was approved unanimously as written without objection.

V. MINUTES of the November 15, 2016 Board of Directors Meeting

The November 15, 2016 minutes of the AMBBA Board of Directors meeting was reviewed by the board and approved unanimously as written without objection.

VI. GENERAL BUISNESS

WFG, LLC's Follow-up Memo on YKHC, and Extension of Credit Review & Discussion that originated at the November 15, 2016 Bond Bank Board Meeting

Mr. Pfeiffer asked Mr. Pierce to go over the memo dated January 5, 2017 identifying issues that needed to be addressed from the November 15, 2016 meeting, as well as open issues regarding the contemplated YKHC financing. Mr. Pierce described that YKHC's Wells Fargo \$50 million revolving line of credit is no longer an issue, as it will be replaced, and Wells Fargo will not serve as an interim lender in the financing. The financing documents related to the AIDEA conduit bond anticipation notes (Raymond James). The notes are going to be about a year longer than previously reported, to address potential delays in the project construction timeline. In regards to leased equipment, none of the

essential equipment related to operations of the facility are subject to repossession, and the payment of leases on the equipment is an operating cost subordinated to the pledge of the other parity lenders, including the Bond Bank. YKHC has an outstanding obligation with Wells Fargo, but we still need consent, as terms of that obligation have a senior lien, and they either need to give consent with full sign-off, or that obligation needs to be paid-off or defeased. AMBBA's bond counsel is still working with YKHC to have them and IHS provide a certificate satisfactory to AMBBA's counsel that neither party intends that IHS would ever physically occupy or otherwise use the Project, a necessary representation if bond counsel is to conclude that interest on the AMBBA loan is exempt from federal income tax. Mr. Lamb asked whether we are waiting on the IHS certificate, or if it's specifically other tax documentation that we are waiting on in order to receive the final tax opinion. Ms. Barry answered that specifically, IHS has no intention of occupying and operating the facility, and we have a letter from them stating so; however, as counsel, she is waiting on certain documentation regarding contracts and leases to complete the full tax diligence on the YKHC proposed project. Mr. Pierce continued, stating that the parties are still developing a parity agreement to deal with issues such as cross-defaults and remedies, differing covenants and the need for separate contracts with YKHC. Mr. Pfeffer asked "if unanimous consent is needed to accelerate payments in the event of default, aren't we at the Bond Bank dependent upon other lenders to take action," and wanted a full breakdown on the reasoning this scenario presents. Mr. Pierce answered that this is more of a timing issue, where the Bond Bank will be the only lender for a certain period of time before the Raymond James notes come online. When the other lenders come online there will be requirements for this short list of lenders to communicate what action they want to take, leaving both parties to pursue their pro-rata share. This language has been drafted, and will need to be completed. Mr. Pierce continued that AMBBA will additionally require its standard rate covenant / debt service coverage covenants in its loan agreements. Those covenants, which were presented to the Board at its November 15, 2016 meeting, are more stringent than those required by other lenders, and will serve as the basis for the issuance of additional bonds and for monitoring YKHC's financial performance. We will not post an official statement until these remaining issues are resolved.

Mr. Pierce went over the timing of the Bond Bank's YKHC transaction schedule, and pushed that all remaining issues need to be resolved to stay on this schedule. Mr. Pierce recommended approval based on the qualifications / resolutions discussed in the memo. Ms. Leary asked about the replacement of the Wells

Fargo line of credit, and specifically what facility or lender is replacing the full amount if not all Raymond James notes. Mr. Eoff stated that YKHC initially elected to bifurcate the construction financing to the Wells Fargo line of credit, and the Raymond James fixed rate bond anticipation notes, and that this would shift over to the Raymond James notes, and that YKHC is satisfied in the amount of construction funds and timing this provides for them. Mr. Leary followed up by asking what other debt outstanding of YKHC would take a senior role in the construction financing. Mr. Pierce stated that this is the only other debt outstanding at this time.

Mr. Lamb mentioned that the previous minutes (November 15, 2016) reflected that YKHC's action of retiring other debt related to a Wells Fargo loan on the administrative building was not the desired objective, but that they would retire that debt if necessary. Also, Mr. Lamb questioned the priority interest on that loan. Mr. Mitchell deferred to Susan for a full description, but added that it's not that the loan has a priority interest on improvements on the clinic and hospital, but has an agreement that provides covenants that has implications for any other debt of the YKHC, and we need consent of Wells Fargo to provide for other obligations to be issued, or to be modified to allow YKHC to issue debt on other projects. Mr. Barry expanded that the minutes were correct on what the security was in terms of describing the mortgage and deed of trust, with administrative building being mortgaged, but the rest of the document contains a springing pledge, encompassing a lot more revenues than what the Wells Fargo loan financed. Ms. Barry is going over a draft amendment / waiver that would be necessary that will cover these remaining issues, and will bring it back to the board. She stated that the old minutes weren't incorrect, but they didn't have the complete detail on the Wells Fargo loan. Mr. Mitchell reiterated that we need to have all of these remaining legal issues resolved before posting the preliminary official statement. Mr. Pfeffer stated that since these issues are not closed, he would like input from the board on how to move forward, or postpone to another board meeting while all remaining issues are worked out. Mr. Mitchell recommended reconvening in another board meeting for an opportunity to bring final items to the board, and that there's another Bond Bank issuance that needs to be reviewed, and could potentially move in front of this issuance should issues not be resolved. There was consensus to have another board meeting in early February, and no action was taken at this time. Additionally, the resolution regarding the issuance of the Bond Bank's 2017A bonds was postponed to the next meeting.

Application Credit Review Summary for Kenai Peninsula Borough (KPB):

Mr. Williams continued with an application credit review for KPB, a \$6 million loan request from the Bond Bank for a regional solid waste facility near Soldotna, with a general obligation pledge. Mr. Williams explained that the KPB's general obligation bond measure authorized a total of \$10.6 million for Central Peninsula Landfill (CPL) GO bonds. Previously, GO's were issued in October 2002, and KPB has indicated that an additional land fill cell is needed. With closure of the Homer Landfill to municipal waste, CPL accepts about 98% of the waste in KPB. Estimated level debt service is approximately \$1.08 million. The proposed loan term is 6 years, and property taxes are pledged. Debt service coverage from most recent state-shared revenues was 6.9 times estimated 2017 debt service. Mr. Williams went over KPB's finances, with most general revenue coming from ad valorem property taxes and sales taxes, which has remained stable over the last six fiscal years. Property taxes have ranged from \$30.5 million to \$34.3 million over the last six fiscal years, increasing \$1.65 million from FY15 to FY16, and the current millage rate is 4.5. Mr. Williams went over a breakdown of KPB's general fund balance. The non-spendable portion includes a loan to Homer for the gas line extension, with approximately \$4.6 million outstanding. The assigned value is a large portion of the general fund balance due to KPB's fund balance policy, and is based on a percentage of KPB's fiscal year expenses. Future capital plans include contemplation to issue \$28.96 million in revenue bonds, and use \$10 million from Central Peninsula Hospital's Plant and Expansion fund for debt of the Central Peninsula Hospital. There's also an expectation for immediate need (application expected within weeks) for KPB's South Kenai Peninsula Hospital service area, as a general obligation bond measure that was approved on the October 2016 ballot. Central Emergency Services area is also expected to issue debt in 2019 in the amount of \$1.6 million with additional debt needed in FY2021 in the amount of \$10.9 million, to be used for remodeling Station #1. Mr. Williams brought up the state aid intercept table once again, with KPB having coverage of 6.9 times FY17 estimated debt service on most recent state shared revenue. Mr. Lamb verified what Mr. Williams meant by listing KPB in the top 5 of communities. Mr. Williams clarified that he included other large communities and the University in a list showing total revenues subject to state intercept, and KPB is only behind that of the University, Municipality of Anchorage, and Fairbanks North Star Borough in interceptable revenue from the state's share. Mr. Williams mentioned that the statement of no litigation has been received post printing of the credit report. Mr. Williams stated that Bond Bank staff assessment of the loan application shows sufficient

security to approve the loan request in the amount of \$6 million, and recommended approval. Mr. Welles moved to approve the \$6 million loan to KPB for the landfill project, and Mr. Lamb seconded the motion. There was no further discussion. Mr. Williams called the vote, and there were 5 'yes,' the loan was approved unanimously.

Executive Director's Report

Mr. Mitchell reported on the following items that were not covered in the January 10, 2017 Agenda:

Mr. Mitchell mentioned that Mr. Williams is going to Anchorage on an approved travel itinerary to help plan the upcoming Spring 2017 AGFOA conference.

Mr. Mitchell stated that we do have another transaction, including the recently approved \$6 million KPB application, another upcoming KPB application, and potentially 4 additional applications to consider at the next meeting. The transaction size estimated to be in the \$50 to \$60 million range.

We are working on continuing disclosure items of the Bond Bank, and look to complete several undertakings by January 31, 2017, including the reserve certification and annual report. The FY2016 audit document has already been posted to the EMMA system.

VII. PUBLIC COMMENTS

There were none.

VIII. BOARD COMMENTS

There were none.

IX. ADJOURNMENT

Mr. Pfeffer adjourned the meeting without objection at 11:09 a.m. ADT.

Mark Pfeffer, Chairman



Deven Mitchell
Executive Director
Alaska Municipal Bond Bank
P.O. Box 110405
Juneau, AK 99811

February 3, 2017

Dear Deven:

At the January 10, 2017 meeting of the Alaska Municipal Bond Bank Authority Board I reviewed the progress in addressing outstanding issues related to the application of the Yukon-Kuskokwim Health Corporation ("Y-K"). The following is a summary of those remaining issues and the progress that has been made since the January 2017 Board meeting.

- 1) The Corporation has outstanding debt obligations, and the nature of the pledge to those obligations is still being investigated.

Y-K has provided Wells Fargo with a document that provides consents and amends the existing loan agreements to allow the proposed financings to move forward. As of the date of this update, Wells has not confirmed its willingness to agree to the necessary amendments and consents. Absent receipt of the document, Y-K will, prior to the distribution of the AMBBA preliminary official statement, provide documentation of its agreement to defease the outstanding Wells Fargo obligations that currently hold a senior lien and, among other things, require consent to all future financings.

- 2) AMBBA's bond counsel is working with the Corporation to have the Corporation and the IHS provide a certificate satisfactory AMBBA's counsel that neither party intends that IHS would ever physically occupy or otherwise use the Project, a necessary representation if bond counsel is to conclude that interest on the AMBBA loan is exempt from federal income tax.

AMBBA's bond counsel has completed its tax diligence and has obtained documentation and affirmations from Y-K sufficient for bond counsel to provide a tax-exempt opinion on the AMBBA bonds issued for the Y-K project.

- 3) The parties are still developing a parity agreement to deal with issues such as cross-defaults and remedies, differing covenants and the need for separate contacts with the Corporation.

The Parity Agreement is in the form of an intercreditor agreement because, while USDA is a parity lender, it is not a party to the Master Trust Indenture. All parties to the agreement have agreed that although the federal government is not permitted to condition its exercise of remedies upon receipt of consent by other lenders, it has agreed to various notification provisions, and funds recovered by either USDA or by the Master Trustee will be shared pro rata with the other. Under the Master Trust Agreement, the exercise of remedies – including acceleration -- will require majority consent by lenders. The preliminary official statement will not be distributed until the Parity Agreement has been signed by all parties.

Based on the progress made on the above issues, I recommend approval of the proposed loan to Y-K. Feel free to give me a call at (503) 719-6113 if you have any questions.

**ALASKA MUNICIPAL BOND BANK AUTHORITY
RESOLUTION NO. 2017-01**

**A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF
MASTER RESOLUTION GENERAL OBLIGATION BONDS, SERIES 2017A
OF THE ALASKA MUNICIPAL BOND BANK AUTHORITY**

ADOPTED BY THE BOARD OF DIRECTORS ON FEBRUARY 9, 2017

TABLE OF CONTENTS

| | Page |
|---|------|
| Article I AUTHORITY AND DEFINITIONS | 1 |
| Section 101 - Series Resolution..... | 1 |
| Section 102 - Definitions..... | 1 |
| Article II AUTHORIZATION OF SERIES 2017A BONDS | 5 |
| Section 201 - Principal Amount, Designation and Series..... | 5 |
| Section 202 - Purposes of the Series 2017A Bonds. | 5 |
| Section 203 - Date, Maturities and Interest Rates. | 5 |
| Section 204 - Interest Payments. | 6 |
| Section 205 - Denominations, Numbers and Other Designation..... | 6 |
| Section 206 - Securities Depository. | 6 |
| Section 207 - Places and Manner of Payment. | 6 |
| Section 208 - Optional Redemption. | 7 |
| Section 209 - Mandatory Redemption..... | 7 |
| Section 210 - Sale of Series 2017A Bonds; Bond Purchase Agreement. | 7 |
| Section 211 - Preliminary Official Statement and Official Statement..... | 8 |
| Article III DISPOSITION OF BOND PROCEEDS | 8 |
| Section 301 - Disposition of Proceeds for Loan Purposes..... | 8 |
| Section 302 - Reserve Fund Deposit. | 9 |
| Article IV EXECUTION AND FORM OF SERIES 2017A BONDS..... | 9 |
| Section 401 - Execution and Form of Series 2017A Bonds. | 9 |
| Article V MISCELLANEOUS | 14 |
| Section 501 - Paying Agent..... | 14 |
| Section 502 - Arbitrage Rebate. | 14 |
| Section 503 - Series 2017A Debt Service Account..... | 14 |
| Section 504 - Tax Exemption and General Tax Covenant. | 14 |
| Section 505 - Arbitrage Covenant. | 15 |
| Section 506 - Loan Agreement..... | 15 |
| Section 507 - Master Security Documents. | 15 |
| Section 508 - Continuing Disclosure..... | 15 |
| Section 509 - Chairman and Executive Director; Authorizations and Ratifications. | 15 |
| Section 510 - Effective Date. | 16 |
| Appendix A – Copy of the Blanket Issuer Letter of Representations..... | A-1 |
| Appendix B – Form of the Authority Continuing Disclosure Certificate..... | B-1 |
| Appendix C – Forms of the Loan Agreement and Continuing Disclosure Agreement..... | C-1 |

**ALASKA MUNICIPAL BOND BANK AUTHORITY
RESOLUTION NO. 2017-01**

**A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF
MASTER RESOLUTION GENERAL OBLIGATION BONDS, SERIES 2017A
OF THE ALASKA MUNICIPAL BOND BANK AUTHORITY**

WHEREAS, the Board of Directors of the Alaska Municipal Bond Bank Authority (the “Authority”) by Resolution entitled “A Master Resolution Providing For The Issuance Of Bonds Of The Alaska Municipal Bond Bank Authority; Providing For The Issuance Of Additional Bonds; Securing The Payment Of The Principal Of And Premium, If Any, And Interest On All Of Said Bonds; And Providing For The Rights Of The Owners Thereof,” adopted on May 5, 2016 (as further defined in Section 102, the “2016 Master Resolution”), has provided for the issuance from time to time of Bonds of the Authority; and

WHEREAS, the 2016 Master Resolution authorizes the issuance of said Bonds in one or more series pursuant to a Series Resolution authorizing each such series; and

WHEREAS, the Board of Directors of the Authority has determined that it is necessary and desirable that the Authority provide at this time for the issuance of a Series of Bonds, to be designated “Alaska Municipal Bond Bank Authority Master Resolution General Obligation Bonds, Series 2017A” (or otherwise as provided in Section 201), to provide moneys to make a Loan to a regional health organization and to carry out purposes of the Authority;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALASKA MUNICIPAL BOND BANK AUTHORITY AS FOLLOWS:

**ARTICLE I
AUTHORITY AND DEFINITIONS**

Section 101- Series Resolution.

This Series Resolution (the “Series 2017A Resolution” or this “Series Resolution”) is adopted in accordance with the provisions of the 2016 Master Resolution and pursuant to the authority contained in the Act.

Section 102- Definitions.

In this Series 2017A Resolution and with respect to the Series 2017A Bonds:

(1) Unless otherwise defined in Article I herein, all capitalized terms herein shall have the meanings given to such terms in Section 103 of the 2016 Master Resolution.

(2) “AIDEA Note Agreement” means the agreement or agreements among the Borrower, the Alaska Industrial Development & Export Authority and the underwriters of the

AIDEA Notes, providing for, among other things, the terms of the AIDEA Notes and conditions to the issuance and purchase of the AIDEA Notes.

(3) “AIDEA Notes” shall mean the Loan Anticipation Notes (or Bond Anticipation Notes) to be issued by the Alaska Industrial Development & Export Authority in an aggregate principal amount of not to exceed \$165 million, to provide interim financing to the Borrower and to be repaid from, among other sources, proceeds of the USDA Loan (as defined in the Loan Agreement) and amounts payable by the Borrower under a promissory note issued and secured under the Master Security Documents as Obligation No. 2.

(4) “Bond Purchase Agreement” shall mean the Bond Purchase Agreement between the Underwriters and the Authority, providing for the purchase and the terms of the Series 2017A Bonds.

(5) “Bond Year” shall mean each one-year period that ends on an anniversary of the date the Series 2017A Bonds are issued.

(6) “Borrower” in connection with the Series 2017A Bonds, shall mean Yukon-Kuskokwim Health Corporation and its duly authorized successors and assigns.

(7) “Borrower Bond” shall mean the Borrower’s promissory note, issued to the Authority as Obligation No. 1 under and secured by the Master Trust Indenture, the First Supplemental Indenture and the other Master Security Documents, as amended and supplemented or exchanged in accordance with the Loan Agreement and the Master Trust Indenture.

(8) “Borrower Documents” shall mean the Loan Agreement, the Borrower Bond, the Master Security Documents and any additional documents identified as “Borrower Documents” in the Loan Agreement.

(9) “Borrower Loan” shall mean the Loan made to the Borrower under the Loan Agreement.

(10) “Borrower’s Continuing Disclosure Agreement” shall mean the Continuing Disclosure Agreement, substantially in the form of Exhibit C to the Borrower’s Loan Agreement, to be entered into by the Borrower on the date the Series 2017A Bonds are issued and any amendments permitted thereby.

(11) “Capitalized Interest Subaccount” shall mean the Capitalized Interest Subaccount held by the Master Trustee.

(12) “Chairman” shall mean the Chairman of the Board of Directors of the Alaska Municipal Bond Bank Authority (also known as the “Alaska Municipal Bond Bank”).

(13) “Code” shall mean the Internal Revenue Code of 1986, together with all regulations applicable thereto.

(14) “Collateral and Depository Agreement” shall mean any separate collateral agreement and/or depository or account agreement or agreements (including a Deposit Account Control Agreement and/or a Collection Account or Deposit Account Instructions and Service Agreement) pursuant to which a bank or trust company as collateral agent, depository and/or securities intermediary, holds security interests granted by the Borrower in the collateral specified therein for the benefit of the Master Trustee, USDA, and any other secured parties named therein or acceding thereto.

(15) “Continuing Disclosure Certificate” shall mean the Authority’s Continuing Disclosure Certificate, a form of which is included in Appendix B of this Series Resolution, executed by the Authority and dated the date of issuance and delivery of the Series 2017A Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

(16) “Debt Service Account” shall mean the debt service account created in the Debt Service Fund pursuant to Section 503 and held by the Trustee for the deposit of Borrower Loan Payments made by the Borrower as required by Subsections 4.02(a) and (b) of the Loan Agreement and by the Borrower Bond and the Master Trust Indenture.

(17) “Deed of Trust” shall mean the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated on or prior to the date the Series 2017A Bonds are issued, granted by the Borrower in favor of the Master Trustee (or to another collateral agent if not the entity that serves as Master Trustee).

(18) “Depository Trust Company Participant” or “DTC Participant” shall mean a trust company, bank, broker, dealer, clearing corporation and any other organization that is a participant of DTC.

(19) “Direct Agreements” shall have the meaning set forth in the Loan Agreement.

(20) “Excess Investment Earnings” shall mean the amount of investment earnings on gross proceeds of the Series 2017A Bonds determined by the Authority to be required to be rebated to the United States of America under the Code.

(21) “Financial Advisor” shall mean Western Financial Group, LLC and its successors and assigns, as the Authority’s financial advisor.

(22) “First Supplemental Indenture” shall mean the First Supplemental Indenture, between the Borrower and the Master Trustee, providing for, among other things, the issuance to the Authority of the Borrower Bond as evidence of and security for the payment and performance of the Borrower’s obligations under the Loan Agreement.

(23) “Initial Master Security Documents” shall mean the Master Trust Indenture; the First Supplemental Indenture; the Deed of Trust; the Security Agreement; the Collateral and Depository Agreement, if any; the Direct Agreements, if any; the Parity Agreement; a confirmation letter and letter of conditions from the USDA; and summaries of the proposed forms of the AIDEA Note Agreement, term sheet and Second Supplemental Indenture.

(24) “Letter of Representation” shall mean the Letter of Representation from the Borrower to the Authority and the Underwriters.

(25) “Letter of Representations” shall mean the Blanket Issuer Letter of Representations dated May 2, 1995, from the Authority to DTC, a copy of which is attached hereto as Appendix A, and the operational arrangements referred to therein.

(26) “Loan Agreement” shall mean the loan agreement by and between the Authority and the Borrower, to be dated the date the Bond Purchase Agreement is signed, and pertaining to the repayment of the Loan to the Borrower as provided for herein and therein, and any amendments and supplements thereto permitted thereby and by the Resolution.

(27) “Master Resolution” or “2016 Master Resolution” shall mean the 2016 Master Bond Resolution, Resolution No. 2016-03, adopted by the Board of Directors on May 5, 2016, as amended and supplemented from time to time.

(28) “Master Security Documents,” collectively, shall mean the Master Trust Indenture; the First Supplemental Indenture; the Security Agreement; the Deed of Trust; the Collateral and Depository Agreement, if any; the Direct Agreements, if any; and the Parity Agreement, each as amended and supplemented in accordance with the Master Trust Indenture and the Loan Agreement; and the confirmation letter and letter of conditions, as amended, from USDA.

(29) “Master Trust Indenture” shall mean the Master Trust Indenture, dated on or before the date the Series 2017A Bonds are issued, between the Borrower and the Master Trustee, as supplemented by the First Supplemental Indenture and as amended and supplemented from time to time in accordance therewith and with the prior written consent of the Authority.

(30) “Master Trustee” shall mean the initial trust company, bank or national banking association selected by the Borrower to serve as master trustee under the Master Trust Indenture and its successors and assigns.

(31) “Official Statement” shall have the meaning assigned thereto in Section 211.

(32) “Parity Agreement” shall mean the Parity Agreement to be dated on or before the date the Master Trust Indenture is executed and delivered by the parties thereto, by and among the Master Trustee, the Borrower and the United States Department of Agriculture, acting through its Rural Housing Service (the “USDA”), as amended and supplemented from time to time in accordance therewith and with the prior written consent of the Authority.

(33) “Preliminary Official Statement” shall have the meaning assigned thereto in Section 211.

(34) “Project” shall mean the Borrower’s hospital and primary care clinic in Bethel, Alaska.

(35) “Record Date” shall mean the day fifteen calendar days preceding each interest payment date with respect to the Series 2017A Bonds.

(36) “Reserve Fund Reimbursement Obligation” shall have the meaning assigned thereto in the Master Resolution.

(37) “Resolution” shall mean the Master Resolution as supplemented by this Series Resolution.

(38) “Security Agreement” shall mean the Security Agreement between the Borrower and the Master Trustee or another collateral agent for the benefit of the Master Trustee and the USDA, pursuant to which the Borrower grants a security interest in certain collateral.

(39) “Series 2017A Bonds” shall mean the Series of Bonds authorized in Article II hereof.

(40) “Underwriters” shall mean J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets, LLC, the underwriters of the Series 2017A Bonds.

ARTICLE II AUTHORIZATION OF SERIES 2017A BONDS

Section 201- Principal Amount, Designation and Series.

Pursuant to the provisions of the 2016 Master Resolution, a Series of Bonds designated as “Alaska Municipal Bond Bank Authority Master Resolution General Obligation Bonds, Series 2017A” is hereby authorized to be issued in an aggregate principal amount not to exceed \$102,500,000. The Chairman or the Executive Director are, and each of them is, hereby authorized to change the designation of the Series 2017A Bonds, among other things, to allow for the sale of the Series 2017A Bonds to be combined and sold with other Bonds authorized by a Series Resolution and approved by the Board of Directors of the Authority or to distinguish further Bonds issued under the 2016 Master Resolution.

Section 202- Purposes of the Series 2017A Bonds.

The purposes for which the Series 2017A Bonds are being issued are (i) to make a Loan to the Borrower to the extent and in the manner provided in Article III and (ii) to satisfy the portion of the Reserve Fund Requirement related to the issuance of the Series 2017A Bonds as provided in Section 302 of this Series 2017A Resolution.

Section 203- Date, Maturities and Interest Rates.

The Series 2017A Bonds shall be dated the date the Series 2017A Bonds are delivered to the Underwriters, subject to the terms and conditions set forth in this Series 2017A Resolution and in the Bond Purchase Agreement. Subject to adjustment as provided for in this Section 203, the Series 2017A Bonds shall mature, or have mandatory sinking fund redemption payments due, on the first day of the month, in each of the years and in the principal amounts to be set forth in the Official Statement and in the Bond Purchase Agreement authorized below.

Notwithstanding the foregoing, the aggregate principal amount, the principal amount of the Series 2017A Bonds of each maturity, whether any Series 2017A Bonds shall be term bonds or Capital Appreciation Bonds, the amount of each mandatory sinking fund redemption requirement, if any, and the maturity dates, interest payment dates and interest rates of the Series 2017A Bonds shall be fixed and determined by the Chairman or by the Executive Director at the time the Bond Purchase Agreement is signed pursuant to Section 210 hereof, but subject to the limitations set forth in Sections 201 and 210.

Section 204- Interest Payments.

Unless the Chairman or the Executive Director determines that all or a portion of the Series 2017A Bonds are to be issued as Capital Appreciation Bonds, the Series 2017A Bonds shall bear interest from their dated date, payable semiannually on the semiannual payment dates, commencing in 2017, as may be fixed and determined by the Chairman or the Executive Director at the time the Bond Purchase Agreement is signed, computed on the basis of a 360-day year composed of twelve thirty-day months.

Section 205- Denominations, Numbers and Other Designation.

The Series 2017A Bonds shall be issued in registered form in the denomination of \$5,000 or any integral multiple thereof, not exceeding the aggregate principal amount of the Series 2017A Bonds authorized herein. The Series 2017A Bonds shall be numbered serially with any additional designation that the Chairman or the Executive Director deems appropriate.

Section 206- Securities Depository.

As provided in the 2016 Master Resolution, the Series 2017A Bonds shall be registered initially in the name of “Cede & Co.,” as nominee of DTC, and shall be subject to the payment, registration and transfer provisions set forth in Sections 301, 305 and 310 of the 2016 Master Resolution.

Section 207- Places and Manner of Payment.

For so long as all Outstanding Series 2017A Bonds are registered in the name of Cede & Co. or its registered assigns, payment of principal and interest thereon shall be made as provided in the Letter of Representations and the operational arrangements referred to therein as amended from time to time. In the event that the Series 2017A Bonds are no longer registered in the name of Cede & Co. or its registered assigns or to a successor securities depository, (i) payment of interest on the Series 2017A Bonds will be made by check or draft mailed by first class mail to the registered owner, at the address appearing on the Record Date on the bond register of the Authority kept at the corporate trust office of the Trustee, or, upon the written request of a registered owner of at least \$1,000,000 in principal amount of Series 2017A Bonds received at least fifteen (15) days prior to an interest payment date, by wire transfer in immediately available funds to an account in the United States of America designated by such registered owner; and (ii) principal of the Series 2017A Bonds will be payable at the corporate trust office of the Trustee upon surrender of the Series 2017A Bonds representing such principal. Both principal of and interest on the Series 2017A Bonds are payable in any coin or currency of the United States of

America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts.

Section 208- Optional Redemption.

(a) The Chairman and the Executive Director are, and each of them is, hereby authorized to determine the optional redemption provisions, if any, for the Series 2017A Bonds, and such provisions shall be included in the Bond Purchase Agreement and in the form of the Series 2017A Bonds.

(b) Unless otherwise determined by the Chairman or the Executive Director by the time the Bond Purchase Agreement is executed, notice of redemption shall be given at least 20 days, and not more than 60 days, prior to the date fixed for redemption and if a notice of optional redemption, such notice shall be a conditional notice, and such notice shall have the effect and the Series 2017A Bonds to be redeemed shall be selected, as provided in Article IV of the 2016 Master Resolution.

Section 209- Mandatory Redemption.

The Chairman or the Executive Director are, and each of them is, hereby authorized to approve the mandatory sinking fund redemption provisions, if any, for any Series 2017A Bonds that are term bonds, and such provisions shall be included in the Bond Purchase Agreement and in the form of the Series 2017A Bonds.

Section 210- Sale of Series 2017A Bonds; Bond Purchase Agreement.

(a) The Series 2017A Bonds shall be sold to the Underwriters in a negotiated sale pursuant to the terms of a Bond Purchase Agreement. The Chairman and the Executive Director are, and each of them is, hereby authorized (1) to approve the Bond Purchase Agreement and to approve and accept the terms and conditions under which the Series 2017A Bonds are sold to the Underwriters pursuant to the Bond Purchase Agreement, in each case with terms consistent with the provisions of this Series 2017A Resolution; and (2) to determine the dated date and the delivery date of the Series 2017A Bonds, the aggregate principal amount of the Series 2017A Bonds, the principal amount of Series 2017A Bonds of each maturity and interest rate, the purchase price of the Series 2017A Bonds, the maturity and the interest payment dates of the Series 2017A Bonds and the redemption provisions and interest rate(s) of the Series 2017A Bonds; provided, however, that (i) the aggregate principal amount of the Series 2017A Bonds shall not exceed \$102,500,000 and (ii) the true interest cost on the Series 2017A Bonds shall not exceed five percent (5.00%). Prior to execution and delivery of the Bond Purchase Agreement, the Chairman or the Executive Director, with the assistance of the Financial Advisor, shall take into account those factors that, in their judgment, will result in the lowest true interest cost of the Series 2017A Bonds.

(b) The Chairman and the Executive Director are, and each of them is, hereby authorized to negotiate and approve and to execute and deliver the Bond Purchase Agreement, with such terms and provisions that in the Chairman's or Executive Director's view after consulting with the Authority's Financial Advisor and with the Borrower, are in the best interest

of the Authority and the Borrower and comply with the provisions of the 2016 Master Resolution and this Series Resolution.

(c) Prior to approving and executing and delivering the Bond Purchase Agreement, the Chairman or Executive Director shall have received from the Borrower evidence satisfactory to the Chairman or the Executive Director that, among other things, the Borrower is a regional health organization as defined in the Act and in AS 18.28 and that the conditions set forth in Subsection 44.85.090(5) of the Act have been satisfied.

(d) The authority granted to the Chairman and the Executive Director under this Section 210 shall expire on June 30, 2017.

Section 211- Preliminary Official Statement and Official Statement.

The Chairman or the Executive Director are, and each of them is, hereby authorized to approve the final form of, and the distribution in electronic form to prospective purchasers and other interested persons of, the preliminary official statement for the Series 2017A Bonds (including any supplements and amendments prior to execution and delivery of the Bond Purchase Agreement, the "Preliminary Official Statement"), substantially in the form submitted to the Board prior to the date of publication, with such changes as the Chairman or the Executive Director deems advisable. The distribution of the Preliminary Official Statement in electronic and/or printed form is hereby authorized, ratified and approved. The Chairman and the Executive Director are hereby further authorized to approve and execute the final form of the final official statement for the Series 2017A Bonds (the "Official Statement") and to approve and authorize the distribution of the Official Statement in electronic and printed form.

There is hereby delegated to the Chairman and/or the Executive Director the authority to "deem final" the Preliminary Official Statement on behalf of the Authority for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1).

When approving and deeming final the Preliminary Official Statement and when approving and executing and delivering the Official Statement on behalf of the Authority, the Chairman and the Executive Director may require and may rely upon, to the extent they deem appropriate, the representations and covenants of the Borrower, the State and others.

ARTICLE III DISPOSITION OF BOND PROCEEDS

Section 301- Disposition of Proceeds for Loan Purposes.

Upon the delivery of the Series 2017A Bonds, the Authority shall apply, in accordance with Article V of the 2016 Master Resolution, the proceeds derived from the sale of the Series 2017A Bonds to make a Loan to the Yukon-Kuskokwim Health Corporation, in an aggregate principal amount not to exceed \$102,500,000 (i) to make a deposit with the Master Trustee for the account of the Borrower pursuant to the Master Trust Indenture, to pay, or to reimburse the Borrower for the payment of, together with funds contributed by or for the account of the Borrower, costs of the design, construction and equipment of the Project; (ii) to make a deposit to the Reserve Fund held by the Trustee pursuant to the 2016 Master Resolution (or to purchase a

Reserve Fund Credit Facility in lieu thereof) and a deposit to the Borrower's Reserve Account held by the Trustee; (iii) to make a deposit to the Capitalized Interest Subaccount held by the Master Trustee pursuant to the Master Trust Indenture to pay or to provide for the payment of all or a portion of the interest to accrue on the Series 2017A Bonds and the Borrower Bond during construction and to pay or to provide for the payment of all or a portion of the Borrower's Allocable Proportion of Authority Reserve Fund Interest Expense during construction; and (iv) to pay costs of issuing the Series 2017A Bonds and costs of issuing the Borrower Bond.

Section 302- Reserve Fund Deposit.

(a) On the date of sale, but subject to Section 201 hereof, the Chairman or the Executive Director shall determine whether it is in the best interest of the Authority to use available cash or a portion of the proceeds received from the sale of the Series 2017A Bonds, or a combination of cash and proceeds, to satisfy the Reserve Fund Requirement, and/or to obtain a Reserve Fund Credit Facility in lieu of all or a portion thereof, upon delivery of the Series 2017A Bonds, and shall cause such deposits and/or purchase to be made on or before the date of delivery of the Series 2017A Bonds.

(b) In the event the Chairman or Executive Director determines to satisfy all or a portion of the Reserve Fund Requirement related to the Series 2017A Bonds by depositing with the Trustee a Reserve Fund Credit Facility, the Executive Director is authorized to select a Reserve Fund Credit Facility Provider and to purchase such Reserve Fund Credit Facility and to negotiate, approve and execute and deliver a reimbursement agreement to evidence the Authority's Reserve Fund Credit Reimbursement Obligation in connection therewith in form and with terms that in the Executive Director's judgment after consulting with the Authority's Financial Advisor are advisable and in the best interest of the Authority.

(c) The Borrower's responsibility for paying, or for reimbursing the Authority for the payment of, Authority Reserve Fund Interest Expense, any Reserve Fund Reimbursement Obligations and any other costs of providing and maintaining the Reserve Fund Requirement and the application (or the method for determining the application) of any moneys in excess of the Reserve Fund Requirement shall be determined by the Executive Director and shall be set forth in the Loan Agreement authorized in Section 501 of this Series Resolution.

ARTICLE IV EXECUTION AND FORM OF SERIES 2017A BONDS

Section 401- Execution and Form of Series 2017A Bonds.

The Series 2017A Bonds shall be executed in the manner set forth in Section 202 of the 2016 Master Resolution. Subject to the provisions of the 2016 Master Resolution, the Series 2017A Bonds, and the Trustee's certificate of authentication, shall be of substantially the following form and tenor:

ALASKA MUNICIPAL BOND BANK AUTHORITY
MASTER RESOLUTION GENERAL OBLIGATION BONDS, SERIES 2017A

INTEREST RATE:
_____ %

MATURITY DATE:
_____ 1, 20__

CUSIP NO.:

Registered Owner: CEDE & Co.

Principal Amount: _____ and No/100 Dollars

Alaska Municipal Bond Bank Authority (herein called the "Authority"), a public body corporate and politic, constituted as an instrumentality of the State of Alaska, organized and existing under and pursuant to the laws of the State of Alaska, acknowledges itself indebted to, and for value received, hereby promises to pay to CEDE & CO. or registered assigns, the principal sum specified above on the Maturity Date specified above, and to pay to the registered owner hereof interest on such principal sum from the date hereof to the date of maturity of this Bond at the rate per annum specified above, payable on each _____ 1 and _____ 1, commencing _____ 1, 2017. For so long as this Bond is held in book-entry form, payment of principal and interest shall be made by wire transfer to the registered owner pursuant to written instructions furnished to The Bank of New York Mellon Trust Company, N.A., as trustee under the 2016 Master Bond Resolution of the Authority, adopted on May 5, 2016 (as amended and supplemented from time to time, the "2016 Master Resolution"), or its successor or assigns as trustee (herein called the "Trustee"). In the event this Bond is no longer held in book-entry form, (i) payment of interest will be made by check or draft mailed by first class mail to the registered owner at the address appearing on the bond register of the Authority kept by the Trustee, or, upon the written request of a registered owner of at least \$1,000,000 in principal amount of Series 2017A Bonds received at least 15 days prior to an interest payment date, by wire transfer in immediately available funds to an account in the United States of America designated by such registered owner; and (ii) principal will be payable upon presentation and surrender hereof at the corporate trust office of the Trustee. Interest shall be computed on the basis of a 360-day year composed of twelve thirty-day months. Both principal of and interest on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts.

This Bond is a Master Resolution general obligation of the Authority and is one of a duly authorized issue of Bonds of the Authority designated "Alaska Municipal Bond Bank Authority Master Resolution General Obligation Bonds" (herein called the "Bonds"), issued and to be issued in various series under and pursuant to the Alaska Municipal Bond Bank Authority Act, constituting Chapter 85, Title 44, of the Alaska Statutes (herein called the "Act"), and under and pursuant to the 2016 Master Resolution and a series resolution authorizing each such series. As provided in the 2016 Master Resolution, the Bonds may be issued from time to time pursuant to series resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds that may be issued under the 2016 Master Resolution is not limited except as provided in the 2016 Master Resolution, the applicable series resolution, and the Act, and all Bonds issued and to be issued under said 2016 Master Resolution are and will be equally and ratably secured by the pledges and covenants made therein, to the

extent provided and except as otherwise expressly permitted in the 2016 Master Resolution and the applicable series resolution.

The Series 2017A Bonds are Master Resolution general obligation bonds payable solely from the sources provided in and pledged pursuant to the Master Resolution and the applicable series resolution. The full faith and credit of the Authority are pledged to the payment of the Series 2017A Bonds, subject to agreements heretofore and hereafter made to the owners of other bonds and notes issued under resolutions of the Authority (or the Bond Bank) pledging particular revenues or assets not pledged under the Master Resolution but pledged under other resolutions or other instruments of the Authority (or specifically excluded from any pledge). The Authority is obligated to pay the principal of and premium, if any, and interest on the Bonds, including this Bond, only from the funds of the Authority pledged pursuant to the 2016 Master Resolution and the applicable series resolution, and the State of Alaska is not obligated to pay the principal or premium, if any, or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Alaska is pledged to the payment of the principal, premium, if any, or interest on the Bonds, including this Bond. The Authority has no taxing power.

This Bond is one of a series of Bonds (the “Series 2017A Bonds”) issued in the aggregate principal amount of \$_____ under the 2016 Master Resolution of the Authority and pursuant to a series resolution of the Authority, adopted on February 9, 2017, and entitled “A Series Resolution Authorizing the Issuance of Master Resolution General Obligation Bonds, Series 2017A, of the Alaska Municipal Bond Bank Authority” (said resolutions being herein collectively called the “Resolutions”).

Copies of the Resolutions are on file at the office of the Authority and at the corporate trust office of the Trustee, and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Series 2017A Bonds; the nature, extent and manner of enforcement of such pledges; the rights and remedies of the registered owners of the Series 2017A Bonds with respect thereto; and the terms and conditions upon which the Bonds are issued and may be issued thereunder; to all of the provisions of which the registered owner of this Bond, by acceptance of this Bond, consents and agrees. To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto may be modified or amended by the Authority, with the written consent of the registered owners of at least two-thirds in principal amount of the Bonds then outstanding and, in case less than all of the several series of Bonds would be affected thereby, with such consent of the registered owners of at least two-thirds in principal amount of the Bonds of each series so affected then outstanding.

The Series 2017A Bonds are subject to redemption prior to their respective scheduled maturities as set forth below.

The Series 2017A Bonds maturing on or after _____ 1, 20____, are subject to redemption, in whole or in part, on or after _____ 1, 20____, at the option of the Authority at a redemption price of 100% of the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption.

[Unless previously redeemed pursuant to the foregoing optional redemption provisions, the Series 2017A Bonds maturing on _____ 1, 20__ (the “Term Bonds”) are subject to mandatory redemption on _____ 1 of the following years and in the following principal amounts at a redemption price equal to 100% of the principal amount of the Series 2017A Bonds to be redeemed plus accrued interest, if any, to the date fixed for redemption.]

Term Bonds Due _____ 1, 20__

Year

Sinking Fund Requirement

Notice of redemption (which in the case of optional redemption shall be a conditional notice) will be mailed to registered owners of Series 2017A Bonds called for redemption not less than 20 days or more than 60 days before the date fixed for redemption. Except as provided in the Resolutions, interest on any Series 2017A Bonds called for redemption will cease on the date fixed for redemption.

This Bond is transferable, as provided in the Resolutions, only upon the books of the Authority kept for that purpose at the corporate trust office of the Trustee, by the registered owner hereof in person or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or its attorney duly authorized in writing, and thereupon a new registered Series 2017A Bond or Bonds in the same aggregate principal amount and of the same maturity, in authorized denominations, shall be issued to the transferee in exchange therefor as provided in the Resolutions and upon the payment of the charges, if any, therein prescribed.

The Series 2017A Bonds are issuable in the denomination of \$5,000 or any integral multiple thereof, not exceeding the aggregate principal amount of Series 2017A Bonds maturing in the year of maturity of the Bond for which the denomination of the Bond is to be specified. Subject to such conditions and upon payment of such charges, if any, Series 2017A Bonds, upon surrender thereof at the corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or its attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of registered Series 2017A Bonds of any other authorized denominations, of the same maturity.

The Authority is obligated to pay the principal of and interest on the Series 2017A Bonds only from revenues or funds of the Authority, and the State of Alaska is not obligated to pay such principal of or interest on the Series 2017A Bonds. Neither the faith and credit nor the taxing power of the State of Alaska is pledged to the payment of the principal of or the interest on the Series 2017A Bonds.

This Bond is fully negotiable for all purposes of the Uniform Commercial Code, and each owner of this Bond by accepting this Bond shall be conclusively considered to have agreed that this Bond is fully negotiable for those purposes.

The obligations of the Authority contained in the Resolutions and in this Series 2017A Bond are the obligations of the Authority and not of any member, director, officer or employee

of the Authority, and no recourse shall be had for the payment of the principal or redemption price or interest on this Bond or for any claim hereon or on the Resolutions against any member, director, officer or employee of the Authority or any natural person executing the Series 2017A Bonds.

This Bond shall not be entitled to any benefit under the Resolutions or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Alaska and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the Series 2017A Bonds, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Alaska Municipal Bond Bank Authority has caused this Bond to be executed in its name by the manual or facsimile signature of its Chairman and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Executive Director all as of the _____ day of _____ 2017.

ALASKA MUNICIPAL BOND BANK
AUTHORITY

[S E A L]

MARK E. PFEFFER
Chairman

A T T E S T:

DEVEN J. MITCHELL
Executive Director

TRUSTEE’S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Resolutions and is one of the Series 2017A Bonds of the Alaska Municipal Bond Bank Authority.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,
as Trustee

Date of Authentication:

Authorized Officer

ARTICLE V MISCELLANEOUS

Section 501- Paying Agent.

The Bank of New York Mellon Trust Company, N.A., or its successor or assigns as trustee, is appointed paying agent for the Series 2017A Bonds.

Section 502- Arbitrage Rebate.

Except as otherwise provided in the Authority’s tax certificate, within 30 days after the end of every fifth Bond Year and within 60 days after the date on which all of the Series 2017A Bonds have been retired (and/or at such other times as may be required by the Code), the Authority shall determine the Excess Investment Earnings and shall pay rebate amounts due to the United States of America as provided in Section 148(f) of the Code.

Section 503- Series 2017A Debt Service Account.

There is hereby established as a special account in the Debt Service Fund the “Series 2017A Debt Service Account,” for the purpose of receiving amounts in the Debt Service Fund allocable to the Series 2017A Bonds. Such amounts and the earnings thereon shall be deposited and held, and separately accounted for, in the Series 2017A Debt Service Account.

Section 504- Tax Exemption and General Tax Covenant.

The Authority intends that interest on the Series 2017A Bonds shall be excludable from gross income for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Code, and the applicable regulations. The Authority covenants not to take any action, or knowingly omit to take any action within its control, that if taken or omitted would cause the interest on the Series 2017A Bonds to be included in gross income, as defined in Section 61 of the Code, for federal income tax purposes.

Section 505- Arbitrage Covenant.

The Authority shall make no use or investment of the gross proceeds of the Series 2017A Bonds which will cause the Series 2017A Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code. The Authority hereby covenants that so long as any of the Series 2017A Bonds are outstanding, the Authority, with respect to the gross proceeds of the Series 2017A Bonds, shall comply with all requirements of said Section 148 and of all regulations of the United States Department of Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

Section 506- Loan Agreement.

The Chairman and the Executive Director are, and each hereby is, authorized to execute the Loan Agreement between the Authority and the Borrower referred to herein, in a form similar to the form submitted to and part of the records of the meeting on February 9, 2017, with such changes as the Chairman or the Executive Director shall deem advisable.

Section 507- Master Security Documents.

The Chairman and the Executive Director are, and each hereby is, authorized to approve and if required, to execute and deliver and/or to direct the Trustee to execute and deliver, the final forms of such agreements, certificates and documents securing the repayment of the Borrower Bond, the Borrower Loan and the Series 2017A Bonds, including, but not limited to, the Master Trust Indenture, the First Supplemental Indenture, the Parity Agreement and each of the other Master Security Agreements, including without limitation the Deed of Trust, Security Agreement, Parity Agreement, Collateral and Depository Agreement or Agreements and financing statements to secure repayment of the Borrower Bond and the Borrower Payments.

Section 508- Continuing Disclosure.

The Authority hereby covenants and agrees that it will execute and deliver, and will comply with and carry out all of the provisions of, the Continuing Disclosure Certificate, the proposed form of which is attached hereto as Appendix B, with such changes as the Chairman or the Executive Director shall deem advisable and in the best interest of the Authority. Notwithstanding any other provision of this Series 2017A Resolution, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be a default of the Authority’s obligations under this Series 2017A Resolution, the 2016 Master Resolution or the Series 2017A Bonds; provided that the Beneficial Owner of any Bond may bring an action for specific performance to cause the Authority to comply with its obligations under the Continuing Disclosure Certificate and this Section.

The Chairman and the Executive Director are, and each hereby is, authorized to approve the form and provisions of the Borrower’s Continuing Disclosure Agreement.

Section 509- Chairman and Executive Director; Authorizations and Ratifications.

The Chairman and the Executive Director are, and each hereby is, authorized to execute all documents to which the Authority is a party and to approve and take any action necessary or

desirable to carry out the provisions of this Series 2017A Resolution and to effectuate the issuance and delivery of the Series 2017A Bonds, including agreement to and acceptance of the Bond Purchase Agreement, the Reserve Fund Credit Facility, if any, and the Master Security Documents, and all prior actions taken to effectuate and in connection with the provisions of this Series 2017A Resolution and the issuance and delivery of the Series 2017A Bonds are hereby ratified and confirmed. The authority granted in this Section 509 to the Chairman and the Executive Director includes authorization to solicit commitments for a Credit Facility and/or Reserve Fund Credit Facility and thereafter to accept such commitment that is in the best interest of the Authority and enter into such agreement with the Credit Facility Provider and/or Reserve Fund Credit Facility Provider as shall be in the best interests of the Authority.

Section 510- Effective Date.

This Series 2017A Resolution shall take effect immediately on the date hereof (February 9, 2017).

APPENDIX A

BLANKET ISSUER LETTER OF REPRESENTATIONS

Blanket Issuer Letter of Representations

[To be Completed by Issuer]

ALASKA MUNICIPAL BOND BANK
(Name of Issuer)

May 2, 1995
(Date)

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street, 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

ALASKA MUNICIPAL BOND BANK

(Issuer)

By:

Norman J. Levesque
(Authorized Officer's Signature)

NORMAN J. LEVESQUE
Executive Director

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By:

James M. McInerney

**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC—bracketed material may be applicable
only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such

other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

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

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

APPENDIX B
FORM OF
CONTINUING DISCLOSURE CERTIFICATE OF THE AUTHORITY

Alaska Municipal Bond Bank Authority (the “Issuer”) executes and delivers this Continuing Disclosure Certificate (the “Disclosure Certificate”) in connection with the issuance of \$_____ Alaska Municipal Bond Bank Authority Master Resolution General Obligation Bonds, Series 2017A (the “Bonds”). The Bonds are being issued under the 2016 Master Bond Resolution of the Issuer entitled “A 2016 Master Bond Resolution Providing For The Issuance Of Bonds Of The Alaska Municipal Bond Bank Authority; Providing For The Issuance Of Additional Bonds; Securing The Payment Of The Principal Or Accreted Value Of And Premium, If Any, And Interest On All Of Said Bonds; And Providing For The Rights Of The Owners Thereof,” adopted by the Board of Directors of the Authority (the “Board”) on May 5, 2016, as amended and supplemented from time to time (the “Master Resolution”), and Series Resolution No. 2017-01 adopted by the Board on February 9, 2017 (the “Series Resolution,” and together with the Master Resolution, the “Resolutions”). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. The Issuer is executing and delivering this Disclosure Certificate for the benefit of the Beneficial Owners of the Bonds, and 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 Resolutions, 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:

“Annual Report” means any Annual Report provided by the Issuer pursuant to, and as described in, Section 3 of this Disclosure Certificate.

“Beneficial Owner” means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or intermediaries).

“Fiscal Year” means the fiscal year of the Issuer (currently the 12-month period ending June 30), as such fiscal year may be changed from time to time as required by State law.

“Holder” means the person in whose name any Bond is registered.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time.

Section 3. Provision of Annual Reports and Financial Statements. (a) Not later than [210 days] after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, [2017], the Issuer will provide to the MSRB an Annual Report. The Annual Report may cross-reference other information as provided below. If not submitted as part of the Annual Report, the Issuer will provide to the MSRB annual audited financial statements of the Issuer, when and if, available. The Annual Report shall contain or include by reference:

- (1) annual audited financial statements of the Issuer;
- (2) the 2016 Master Resolution Reserve Fund balance; and
- (3) historical operating data and financial information of the type included in the Official Statement in the Table entitled “Debt Capacity” and in the Table entitled “Bonds Issued and Outstanding as of [January 1, 2017].”

Any or all of these items may be included by specific reference to documents available to the public on the internet website of the MSRB or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference. The Annual Report may be submitted as a single document or as separate documents comprising a package.

(b) The Issuer has required that each Borrower enter into a continuing disclosure agreement, substantially in the form of the continuing disclosure agreement included in an appendix to the Borrower’s Loan Agreement. The Issuer undertakes no responsibility and shall incur no liability whatsoever to any person, including any Holder or Beneficial Owner of the Bonds, in respect of any obligations or reports, notices or disclosures provided or required to be provided by such Borrower under its continuing disclosure agreement.

Section 4. Notice of Failure to Provide Information. The Issuer shall provide in a timely manner to the MSRB notice of any failure to satisfy the requirements of Section 3 of this Disclosure Certificate.

Section 5. Reporting of Listed 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 after 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) a Notice of Proposed Issue (IRS Form 5701-TEB), (iii) other material notices or determinations with respect to 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 proceeding by the Issuer or “obligated person.”

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occurs: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the 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 after the occurrence of such event, if material:

(1) Nonpayment-related defaults.

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

(3) Optional, unscheduled or contingent Bond calls.

(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, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in a filing with the MSRB.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, provided that the amendment meets each of the following conditions:

(a) 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 identity, nature or status of the Issuer;

(b) This Disclosure Certificate, as amended, 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;

(c) The Issuer obtains an opinion of counsel unaffiliated with the Issuer that the amendment does not materially impair the interests of the Beneficial Owners of the Bonds; and

(d) The Issuer notifies and provides the MSRB with copies of the opinions and amendments.

Any such amendment may be adopted without the consent of any Beneficial Owner of any of the Bonds, notwithstanding any other provision of this Disclosure Certificate or the Resolutions.

The first Annual Report containing amended operating data or financial information pursuant to an amendment of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment and its effect on the type of operating data and financial information being provided.

Section 8. Filing. 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 Securities Exchange Commission. All documents provided to the MSRB under the terms of this Disclosure Certificate shall be in an electronic format, accompanied by identifying information, all as prescribed by the MSRB.

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 required to be filed pursuant to this Disclosure Certificate, in addition to the information that is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice in addition to the information specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or to include it in

any future Annual Report or notice of occurrence of a listed event or any other event required to be reported.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Beneficial Owner may take such actions as may be necessary and appropriate, including an action to compel specific performance, to cause the Issuer to comply with its obligations under this Disclosure Certificate; provided, however, that any such action may be instituted only in a State court in Juneau, Alaska. No failure to comply with any provision of this Disclosure Certificate shall be deemed an Event of Default under the Resolutions, 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 Issuer, the Trustee, the Participating Underwriter and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATED this ____ day of _____ 2017.

ALASKA MUNICIPAL BOND BANK
AUTHORITY

DEVEN J. MITCHELL
Executive Director

LOAN AGREEMENT
BETWEEN THE ALASKA MUNICIPAL BOND BANK AUTHORITY AND
YUKON-KUSKOKWIM HEALTH CORPORATION

[DATE OF SALE], 2017

TABLE OF CONTENTS

Page

| | | |
|--|---|----|
| | ARTICLE I | |
| | DEFINITIONS AND RULES OF INTERPRETATION AND CONSTRUCTION | |
| Section 1.01. | Definitions..... | 2 |
| Section 1.02. | Rules of Interpretation and Construction | 2 |
| | ARTICLE II | |
| | REPRESENTATIONS OF THE BORROWER | |
| Section 2.01. | Representations | 2 |
| Section 2.02. | Survival of Representations | 4 |
| | ARTICLE III | |
| | ISSUANCE OF THE SERIES 2017A BONDS AND THE BORROWER BOND | |
| Section 3.01. | Agreement to Issue the Series 2017A Bonds..... | 4 |
| Section 3.02. | Agreement to Issue the Borrower Bond..... | 4 |
| | ARTICLE IV | |
| | SECURITY AND SOURCES OF PAYMENT FOR BORROWER LOAN PAYMENTS AND FOR THE BORROWER BOND | |
| Section 4.01. | Security and Sources of Payment..... | 5 |
| Section 4.02. | Borrower Loan Payments..... | 6 |
| Section 4.03. | Borrower Reserve Account; Authority Reserve Fund and Debt Service Account Earnings..... | 7 |
| Section 4.04. | Additional Financial Covenants | 8 |
| Section 4.05. | Refundings | 9 |
| Section 4.06. | Redemptions and Sales; Defeasance | 9 |
| | ARTICLE V | |
| | ADDITIONAL COVENANTS AND AGREEMENTS | |
| Section 5.01. | Fees and Charges | 10 |
| Section 5.02. | Closing Conditions..... | 11 |
| Section 5.03. | Reports and Invoices; Notices and Consents[; and Required Insurance] | 12 |
| Section 5.04. | Tax Covenants | 14 |
| Section 5.05. | Events of Default | 14 |
| Section 5.06. | Remedies..... | 15 |
| | ARTICLE VI | |
| | MISCELLANEOUS | |
| Section 6.01. | Severability | 15 |
| Section 6.02. | Counterparts..... | 16 |
| Section 6.03. | Waivers; Mergers etc | 16 |
| Section 6.04. | Governing Law | 16 |
| Exhibit A –Terms of the Borrower Revenue Bond | | |
| Exhibit B – Definitions | | |
| Exhibit C - Form of the Borrower’s Continuing Disclosure Agreement | | |
| Exhibit D – Insurance Requirements | | |

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated the ____ day of _____ 2017, between the ALASKA MUNICIPAL BOND BANK AUTHORITY (the “Authority”), a public corporation and an instrumentality of the State of Alaska (the “State”) created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes (as amended from time to time, the “Act”), and the YUKON-KUSKOKWIM HEALTH CORPORATION, an Alaska nonprofit corporation (the “Borrower”):

W I T N E S S E T H:

WHEREAS, pursuant to the Act, the Authority is authorized to make loans of money (the “Loan” or “Loans”) to regional health organizations to finance up to 49 percent of the costs of regional health projects;

WHEREAS, as required by the Act, the Borrower is a regional health organization as defined in Chapter 28, Title 18, Alaska Statutes and pursuant to the Act is authorized to accept a Loan from the Authority and to evidence and secure its obligation to repay the Loan as provided in this Loan Agreement;

WHEREAS, the Borrower desires to borrow money from the Authority to pay, or to be reimbursed for the payment of, together with funds loaned or contributed by or for the account of the Borrower, costs of, among other things, designing, constructing and equipping a primary care facility and expanded hospital facilities (as further defined in Exhibit B, the “Project”) and has submitted an application to the Authority for a Loan in an amount not to exceed \$102,500,000;

WHEREAS, on October 6, 2016 the Department of Health and Social Services of the State of Alaska confirmed in a letter to the Authority that the Project to be financed by the Loan will result in a state financial benefit and increase in regional quality of care, as required by the Act;

WHEREAS, as required by the Act and confirmed by information provided by the Borrower, the amount of the Loan to be made by the Authority to the Borrower is not more than 49 percent of the total cost of the Project to be financed in part with proceeds of the Loan;

WHEREAS, to evidence and to secure its payment obligations under this Loan Agreement, the Borrower is issuing its promissory note to the Authority in the aggregate principal amount of \$ _____ (the “Borrower Bond”) which bond, in accordance with this Loan Agreement, is to be purchased by the Authority as evidence of the Loan and as security for the payment by the Authority of the Authority’s Series 2017A Bonds described below;

WHEREAS, the Borrower Bond is an Obligation issued and secured under the Borrower’s Master Trust Indenture and the other Master Security Documents hereinafter defined, and the Borrower’s other payment obligations hereunder also are secured and provided for under the Master Security Documents;

WHEREAS, the Borrower’s application to the Authority contains the information requested by the Authority; and

WHEREAS, to provide for the issuance of bonds of the Authority to obtain from time to time money with which to make Loans to borrowers, including regional health organizations, on May 5, 2016 the Board of Directors of the Authority (the “Board”) adopted Resolution No. 2016-03 (the “2016 Master Resolution”); and to authorize the issuance by the Authority of its Series 2017A Bonds and the making of a Loan to the Borrower and the purchase by the Authority of the Borrower Bond, on February 9, 2017 the Board adopted Series Resolution No. 2017-01 (the “Series Resolution” and together with the 2016 Master Resolution, the “Bond Resolution”);

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereby agree as follows:

ARTICLE I

Definitions and Rules of Interpretation and Construction

Section 1.01. Definitions. In addition to the words and terms defined elsewhere in this Loan Agreement, capitalized terms used herein shall have the meanings assigned thereto in Exhibit B, unless the context or use clearly indicates another or different meaning or intent, and any other words and terms used herein shall have the meanings assigned thereto in the Bond Resolution.

Section 1.02. Rules of Interpretation and Construction. Unless the context clearly indicates to the contrary, the rules of interpretation and construction set forth in Part II of Exhibit B shall apply to the interpretation and construction of this Agreement.

ARTICLE II

Representations of the Borrower

Section 2.01. Representations. The Borrower represents to the Authority that:

(a) The Borrower is a nonprofit corporation duly organized and existing under the laws of the State of Alaska and is a regional health organization as defined in Alaska Statutes (“AS”) 18.28.100;

(b) The Borrower (i) is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”); (ii) is exempt from federal income taxation under Section 501(a) of the Code, except for taxes imposed on unrelated business income (other than income related to the Project) pursuant to Section 511 of the Code and is an organization described in Section 170(b)(1)(A) of the Code; (iii) is not a “private foundation” as defined by Section 509(a) of the Code; (iv) has not received any notice from the Internal Revenue Service that the Borrower’s returns are being audited or that its status as an organization described in Section 501(c)(3) of the Code is being investigated or challenged; and (v) is in compliance with requirements to maintain its status described in this subsection 2.01(b);

(c) The Borrower has the legal power and authority to enter into and to perform its obligations under this Loan Agreement and under the Borrower Bond and the other Borrower Documents and has duly authorized the execution and delivery of, and the performance by the Borrower of its obligations under, this Loan Agreement, the Borrower Bond and the other Borrower Documents;

(d) The execution and delivery by the Borrower of this Loan Agreement, the Borrower Bond and each of the other Borrower Documents and the performance by the Borrower of its obligations hereunder and thereunder (i) do not violate any laws, regulations or court orders or decrees that apply to, and would have a material impact on, the Borrower or its operations or financial position or any provision of the Borrower's articles of incorporation or bylaws; (ii) do not violate, breach or result in a default or event of default under any document, covenant or agreement by the Borrower relating to any agreement or indebtedness that will be in effect or outstanding as of the time the Borrower Bond is issued, including without limitation, any lease or loan agreement and any grant or funding agreement to which the Borrower is a party or a beneficiary;

(e) When issued, the Borrower Bond will be the Borrower's only outstanding indebtedness other than \$_____ aggregate amount of Excluded Equipment Leases [and other than the Borrower's loan agreement and promissory note and security documents delivered to the City of Marshall, Alaska and the related Continuing Covenant Agreement between the Borrower and Wells Fargo Bank, National Association, the purchaser of bonds issued by the City of Marshall (collectively, the "City of Marshall Loan")];

(f) No action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body is pending or to the best knowledge of the Borrower after due investigation, is threatened, against or affecting the Borrower, wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of this Loan Agreement, the Borrower Bond or any of the other Borrower Documents or the first priority of the liens created by the Master Security Documents or the Borrower's ability to perform its obligations hereunder or thereunder or under any of the other Borrower Documents or the exclusion from gross income for federal income tax purposes of interest on the Borrower Bond or the Series 2017A Bonds;

(g) No further authorizations, consents or approvals of any lender or lessor or of any governmental or Borrower body, board or agency are required in connection with the execution and delivery by the Borrower of this Loan Agreement or of any other Borrower Document, the issuance of the Borrower Bond or the performance by the Borrower of its obligations hereunder or thereunder, and each of the applicable authorizations, consents and approvals heretofore obtained by or for the Borrower is in full force and effect and has not been amended, revoked or superseded; and

(h) As of the time the Borrower Bond is issued and delivered, the only claims, liens or other encumbrances on, or against, the Project or other assets of the Borrower will be (i) [the City of Marshall Loan in connection with other assets of the Borrower]; (ii) Excluded Equipment Leases [and any existing loans secured by liens on Excluded Equipment]; [(iii)] existing Permitted Encumbrances as defined in the Master Security Documents; (iv) the pledge by the Borrower of the Trust Estate to secure the payment by the Borrower of the Obligations, including the Borrower Bond, the Borrower's Allocable Proportion of the Authority's Reserve Fund Expenses and of Administrative Expenses and the amount, if any, required to pay or to reimburse the Authority for the payment of Reserve Fund Reimbursement Obligations and/or Credit Facility Reimbursement Obligations attributed to the Borrower; and (v) the first-priority security interests and liens created by the Collateral and Depository Agreements, the Master Trust Indenture and the other Master

Security Documents, on General Revenues, if any, that may be required to be deposited with the Collateral Agent or the Master Trustee to secure such payments and/or payments on other Obligations and the USDA Loan.

Section 2.02. Survival of Representations. Each of the representations above shall survive the execution and delivery of this Loan Agreement.

ARTICLE III

Issuance of the Series 2017A Bonds and the Borrower Bond

Section 3.01. Agreement to Issue the Series 2017A Bonds. To provide moneys to make the Loan to the Borrower, the Authority agrees that it will issue its Series 2017A Bonds under the Bond Resolution and will cause the proceeds of such Bonds to be applied, together with funds deposited by the Borrower (i) to pay, or to reimburse the Borrower for the payment of, a portion of the costs of designing, constructing and equipping the Project; (ii) to make a deposit to the Reserve Fund created under the Bond Resolution and a deposit to the Borrower's Reserve Account held by the Trustee; (iii) to make a deposit to the Capitalized Interest Subaccount and to pay or provide for the payment of the Borrower's Allocable Proportion of Authority Reserve Fund Interest Expense during construction; and (iv) to pay costs of issuing the Series 2017A Bonds and costs of issuing the Borrower Bond.

Section 3.02. Agreement to Issue the Borrower Bond. (a) The Borrower hereby accepts the Loan from the Authority in the principal amount of \$_____ and to evidence the Loan made to the Borrower and such money borrowed from the Authority by the Borrower, and to secure the repayment thereof together with interest thereon, the Borrower agrees to execute and deliver to the Master Trustee or Collateral Agent, as applicable, the Master Security Documents and to the Authority and the Trustee the other Borrower Documents, including this Loan Agreement and the Borrower Bond in the principal amount, with the principal installment payments, and bearing interest from its date at the rate or rates per annum, stated in Exhibit A.

(b) The amounts to be paid by the Borrower pursuant to this Loan Agreement representing interest due on its Borrower Bond (the "Borrower Bond Interest Payments") shall be computed at the same rate or rates of interest borne by the corresponding maturities of the Series 2017A Bonds sold by the Authority to obtain the money with which to make the Loan and to purchase the Borrower Bond (the "Loan Obligations"). Amounts to be paid by the Borrower pursuant to this Loan Agreement representing principal due on the Borrower's Borrower Bond (as further defined below, the "Borrower Bond Principal Payments"), together with the Borrower Bond Interest Payments and the payments required by Subsection 3.02(d), shall be paid by the Borrower in monthly installments as set forth in Article IV to provide, at least one month and seven days before the payment dates set forth in the Borrower Bond, funds sufficient to pay (1) the principal of the Loan Obligations, plus the interest thereon, as the same become due and payable, and (2) the Borrower's Allocable Proportion of Authority Reserve Fund Interest Expense at the time such payments are due and payable.

(c) Payments made by the Borrower to or for the account of the Authority in accordance with the Borrower Bond shall be credited against the comparable payments required to be made by the Borrower under this Loan Agreement.

(d) The Borrower agrees to pay the Borrower's Allocable Proportion of Authority Reserve Fund Interest Expense, if any, and the portion of any Reserve Fund Credit Facility Reimbursement Obligation or Credit Facility Reimbursement Obligation attributed to the Borrower, and the Borrower's Allocable Proportion of any Administrative Expense at the times and in the amounts required pursuant to Sections 4.01, 4.02 and 5.01 of this Loan Agreement.

ARTICLE IV

Security and Sources of Payment for Borrower Loan Payments and for the Borrower Bond

Section 4.01. Security and Sources of Payment. (a) The Borrower's obligation to repay the Loan and to pay the Borrower's Allocable Proportion of Authority Reserve Fund Interest Expense and any other amount payable hereunder is a special revenue obligation of the Borrower, payable solely from the Trust Estate pledged and assigned under the Master Security Documents; and the Borrower hereby confirms its pledges, assignments and grants to the Master Trustee, as trustee and as collateral agent and depository, to provide for and to secure (i) repayment of the USDA Loan and the Obligations, including Obligation No. 1 (the Borrower Bond) issued to the Authority to evidence and secure payment of the Loan; (ii) payment of the Borrower's Allocable Proportion of Authority Reserve Fund Interest Expense, if any, and any required deposits to the Borrower Reserve Account defined below in Section 4.02(a); and (iii) payment of the portion of any Reimbursement Obligation and Administrative Expenses attributed to the Borrower.

(b) The amounts to be paid by the Borrower pursuant to this Loan Agreement and the Master Security Documents representing Borrower Bond Payments, including Borrower Bond Interest Payments, Borrower Bond Principal Payments, the Borrower's Allocable Proportion of Authority Reserve Fund Interest Expense, if any, and the portion of any Reimbursement Obligation attributed to the Borrower, shall be payable from, and be secured on a parity with the USDA Loan and other Obligations issued in accordance with the Master Security Documents, including the Master Trust Indenture, by the Borrower's pledge, grant and assignment of, and the Borrower hereby pledges and assigns and grants (i) to the Master Trustee a first-priority security interest in and lien on the Trust Estate, including without limitation, the Revenue Fund, the Project Fund and the Capitalized Interest Account[s], created under the Master Trust Indenture, the First Supplemental Indenture and the other Master Security Documents; and (ii) to the Trustee, a first priority security interest in and lien on amounts on deposit with the Trustee in the Borrower Debt Service Subaccount and the Borrower Reserve Account and any investments therein and investment income thereon.

(c) To provide for any required deposits to the Master Trustee and/or Collateral Agent and to perfect the security interest of the Master Trustee and/or Collateral Agent in the Trust Estate, including the Patient Revenues and Accounts and the investments thereof and earnings from investments thereof, all Net Proceeds and all Rents and Proceeds and all funds in the Depository Accounts established with the Master Trustee and/or the Collateral Agent, the Borrower agrees to enter into the Master Trust Indenture, the First Supplemental Indenture, the Collateral and

Depository Agreement and each of the other Master Security Documents and agrees that on and after a required Deposit Day or Supplemental Deposit Day, if any, the Borrower will deposit or cause to be deposited upon receipt all such amounts until the required payment or payments on the USDA Loan and on Obligation No. 1 and all other Obligations Outstanding from time to time, including all of the deposits described below, have been made. The Borrower confirms that other than the Master Trustee and the Collateral Agent and, in connection with the property subject to the Deed of Trust and the Collateral and Depository Agreement, other than USDA, no other party has, or will be granted, a claim to, lien on or security interest in the Trust Estate on a parity with or senior to the claim, lien and security interest of the Master Trustee for the benefit of the Authority and other Obligation holders; and the Borrower consents to the filing of financing statements naming the Master Trustee and/or the Collateral Agent for the benefit of the Master Trustee as secured party and the Borrower as debtor.

Section 4.02. Borrower Loan Payments. (a) The Borrower agrees with the Authority that not later than the 15th calendar day of each month, beginning _____ [at least seven months and seven days before _____, the first date on which interest is not scheduled to be paid from moneys transferred from the capitalized interest subaccount held by the Master Trustee], or the previous Business Day if the 15th calendar day is not a Business Day (each a “Deposit Day”), the Borrower will pay or cause to be paid to the Trustee for deposit to the Borrower Interest Account in the Debt Service Fund held by the Trustee under the Bond Resolution:

(1) _____ of the amount of interest that will be due on the Borrower Bond on _____; and thereafter, one sixth (1/6) of the amount of interest that will be due and payable on the Borrower Bond on the next interest payment date;

(2) beginning _____, _____, for deposit to the Borrower Principal Account in the Debt Service Fund held by the Trustee, one-twelfth (1/12) of the amount of principal due (whether at maturity or, in the case of term bonds, by reason of mandatory sinking fund payments), as specified in the maturity schedule included in this Loan Agreement as Exhibit A, on the next principal payment or mandatory redemption date (“Borrower Bond Principal Payments”);

(3) for deposit to the Reserve Fund (or to the Debt Service Account if so directed by the Authority), an amount equal to all of the Borrower’s Allocable Proportion of Authority Reserve Fund Interest Expense and/or to the Reserve Fund the portion of any Reserve Fund Credit Facility Reimbursement Obligation or other Reimbursement Obligation attributable to the Borrower for the following six months;

(4) for deposit to the Borrower reserve account held by the Trustee as provided in Section 4.03 (the “Borrower Reserve Account”) the amount, if any, required to make the balance in the Borrower Reserve Account equal to the Borrower Reserve Requirement required to be maintained therein pursuant to Section 4.03; and

(5) any additional amount required to be paid by the Borrower so that at least one month and seven (7) Business Days before the Series 2017A Interest Payment Date, Borrower funds held by the Trustee in the debt service account are sufficient to pay when due the principal

of and interest on the Loan Obligations and to pay any other Borrower Payments then due and payable.

(b) The Borrower also agrees to make all of the payments required pursuant to Section 5.01.

(c) The Borrower further agrees that if any of the payments required to be made pursuant to subsection (a) of this Section 4.02 are not made when due, the Authority shall notify the Borrower, the Trustee and the Master Trustee and (i) request that such payment be made by the Borrower; and (ii) if such payment is not made by the third day (or the prior Business Day if the third day is not a Business Day, such Business Day hereinafter referred to as a “Supplemental Deposit Day”) after the date such payment was due, direct the Borrower to transfer upon receipt all General Revenues (other than Restricted Borrower Funds) to the Master Trustee for deposit to the Revenue Fund held by the Master Trustee as Master Trustee and Collateral Agent and direct the Master Trustee to withdraw from such Revenue Fund on each Business Day thereafter, before any other payment or withdrawal is made, and transfer on a parity (1) to the Trustee for deposit to the Borrower Debt Service Subaccount held by the Trustee and (2) to other Obligation holders and to USDA as provided in the Master Trust Indenture and the Collateral Agreement all such Revenues until the amount transferred to the Trustee, to USDA and to other Obligation holders after such Supplemental Deposit Day is at least equal to the unpaid amounts due and payable on or before the Supplemental Deposit Day, plus the amount of all payments scheduled to be made pursuant to Subsection 4.02(a) for the following six months.

(d) The Borrower further agrees that if the payments required to be made pursuant to this Loan Agreement are not made available by the times specified herein, the Authority, to the extent permitted by law and by the terms of the applicable grants, may notify the appropriate officer of each State agency that provides or administers grants to the Borrower and seek to intercept funds under such grants and to the extent intercepted, such grant funds shall be applied first to the payment of Borrower Payments then due.

(e) Obligation payments and deposits made from moneys transferred by the Master Trustee and Collateral Agent directly to the Trustee for the account of the Authority in accordance with the Master Trust Indenture shall be credited against the payments to be made pursuant to this Section 4.02.

Section 4.03. Borrower Reserve Account; Authority Reserve Fund and Debt Service Account Earnings. (a) Borrower Reserve Account. The Borrower hereby agrees that it shall deposit to the Borrower Reserve Account established by the Borrower with the Trustee, at the time of Loan funding, the Borrower’s debt service reserve requirement in an amount equal to the least of (i) maximum annual debt service on the Borrower Bond, (ii) 125 percent of average annual debt service on the Borrower Bond and (iii) 10 percent of the initial principal amount of the Borrower Bond, to secure payment of principal and interest on its Borrower Bond; that such reserve funds shall be held by the Trustee in the name of the Borrower in a separate reserve account; and that

the yield on the amount held in the reserve account shall be restricted to a yield not in excess of _____ percent (the arbitrage yield on the Series 2017A Bonds).

(b) Authority Reserve Fund Investment Earnings. The Borrower and the Authority agree that (1) investment earnings attributable to deposits to the Reserve Fund made by the Authority from its own funds or from moneys appropriated and/or loaned to the Authority by the State shall be applied, transferred or withdrawn as directed by an Authorized Officer; and (2) investment earnings derived from proceeds of Bonds deposited to the Reserve Fund or applied to purchase a Reserve Fund Credit Facility, if the Authority Reserve Fund Interest Expense and/or Reimbursement Obligations related thereto are included in the Borrower's Borrower Payments and paid by the Borrower, shall be applied first, to pay Administrative Expenses and Fees and Charges (including without limitation arbitrage rebate analyst fees, investment manager fees, trustee fees and other Authority Fees and Expenses and Fees and Charges, as determined by the Authority) and second, if as of June 30 of any year, after payment of such Administrative Expenses and Fees and Charges there are excess investment earnings derived from such Bond proceeds and provided that no Event of Default then exists and if then permitted by the Master Resolution, the Authority will direct the Trustee to transfer the amount of such excess investment earnings to the Debt Service Subaccount and to credit the amount so deposited against the amount of the Borrower Payment related thereto.

(c) Debt Service Subaccount Earnings. The Borrower also agrees that any investment earnings remaining in the Debt Service Subaccount after a principal payment date may be applied at the direction of the Authority to the payment of the Borrower's Allocable Proportion of Administrative Fees and Expenses.

Section 4.04. Additional Financial Covenants. (a) The Borrower covenants with the Authority that the Borrower will maintain at least 50 Days Cash on Hand to be tested and reported to the Authority on a semiannual basis as of March 31 and September 30 of each year, commencing September 30, 2017. Such reports shall be made in writing to the Authority no later than 90 days after each March 31st and September 30. In the event Cash on Hand is less than 50 Days Cash on Hand on a March 31 or September 30, the Borrower shall retain an independent consultant to make recommendations to the Borrower regarding improvement of the Borrower's liquidity position and shall use its best efforts to follow and implement the recommendations of the independent consultant.

(b) The Borrower also shall maintain a Debt Service Coverage Ratio of at least 1.25 to 1.0, plus a Total Coverage Ratio of at least 1.10 to 1.0, each tested annually as of the end of each Fiscal Year and reported to the Authority no later than 90 days after the end of such Fiscal Year. The Borrower agrees that if the Borrower's Debt Service Coverage Ratio is less than 1.25 or if the Total Coverage Ratio is less than 1.10 to 1.0, the Borrower will retain an independent consultant (which may be the same consultant retained pursuant to Subsection 4.04(a)) to make recommendations regarding improvement of the Borrower's Debt Service Coverage Ratio and shall use its best efforts to follow and implement the recommendations of the independent consultant.

(c) The Borrower agrees it will issue or incur no Indebtedness that is payable from, or secured by a claim to or a pledge of or lien on, the Trust Estate, including without limitation Patient Revenues and Accounts, investments and earnings, that is prior to the claim, pledge and lien of the Borrower Bond and the other Obligations and except as agreed to in the Parity Agreement will not issue any Indebtedness, including Obligations and Subordinate Indebtedness, the maturity or payment of which can be accelerated if the Borrower Bond has not been accelerated.

(d) The Borrower also agrees that it will issue Indebtedness only in accordance with the Master Trust Indenture (and in the case of the USDA Loan, only in accordance with the proposed forms and agreements provided to the Authority) and that unless an earlier date is agreed to by the Authority, the Borrower will issue Obligations only (i) after 45 days' prior written notice is delivered to the Authority, together with (A) either (1) a certificate confirming to the Authority that taking into account Net Revenues for the most recent 12-month period for which audited financial statements are available and Maximum Annual Debt Service for any year in which the additional Obligations will be outstanding, the Borrower's Debt Service Coverage Ratio was not less than 1.25 and the Borrower's Total Debt Service Coverage Ratio was not less than 1.10; or (2) an Alternate Certificate; and (B) a certificate of the Borrower, together with an opinion of Counsel to the Borrower, to the effect that the issuance and terms of the Obligations being issued and the agreements to be entered into in connection therewith are permitted by and do not violate the terms of this Loan Agreement or any of the other Borrower Documents; and (2) except in connection with the issuance of the USDA Loan and the AIDEA Notes, with the prior written consent of the Authority, which consent shall not be unreasonably withheld or delayed.

Section 4.05. Refundings. If Loan Obligations have been refunded and the interest expense the Authority will be required to incur on its refunding bonds in any year is less than the interest expense to be incurred by the Borrower on the Borrower Bond for the corresponding year pursuant to the terms of the Borrower Bond, then both the Borrower Bond Interest Payments and the Borrower Bond Principal Payments and the monthly deposits therefor will be adjusted in such a manner that (i) the interest expense to be incurred by the Borrower on any principal installment of the Borrower Bond is equal to the interest expense to be incurred by the Authority on the corresponding principal installment of the Authority's refunding bonds and (ii) on a present value basis the sum of the adjusted Borrower Bond Interest Payments and Borrower Bond Principal Payments is equal to or less than the sum of the Borrower Bond Interest Payments and Borrower Bond Principal Payments due over the remaining term of the Borrower Bond as previously established under this Loan Agreement. In the event of such a refunding of Loan Obligations, the Authority shall present to the Borrower for the Borrower's approval, a revised schedule of principal installment amounts and interest rates for the Borrower Bond. If approved by the Borrower the revised schedule shall be attached hereto as Exhibit A and incorporated herein in replacement of the previous Exhibit A detailing said principal installment amounts and interest rates and monthly deposits.

Section 4.06. Redemptions and Sales; Defeasance. (a) The Authority shall not sell and the Borrower shall not redeem prior to maturity any portion of the Borrower Bond in an amount greater than the Loan Obligations that are then outstanding and that are then redeemable and in the event of any such sale or redemption, the same shall be in an amount not less than the aggregate of (i) the principal amount of the Borrower Bond (or portion thereof) to be redeemed, (ii) the

interest to accrue on the Borrower Bond (or portion thereof) to be redeemed to the next redemption date thereof not previously paid, (iii) the applicable premium, if any, payable on the Borrower Bond (or portion thereof) to be redeemed, and (iv) the cost and expenses of the Authority in effecting the redemption of the Borrower Bond (or portion thereof) to be redeemed. Unless the Authority agrees to a shorter period, the Borrower shall give the Authority at least 50 days' notice of intention to redeem or defease its Borrower Bond.

If the Loan Obligations with respect to which the sale or redemption prior to maturity of such Borrower Bond is being made have been refunded and the refunding bonds of the Authority issued for the purpose of refunding such Loan Obligations were issued in a principal amount in excess of or less than the principal amount of the Borrower Bond remaining unpaid at the date of issuance of such refunding bonds, the amount which the Borrower shall be obligated to pay or the Authority shall receive under item (i) above shall be the principal amount of such refunding bonds outstanding.

If the Loan Obligations have been refunded and the interest the Authority is required to pay on the refunding bonds is less than the interest the Authority was required to pay on the Loan Obligations, the amount which the Borrower shall be obligated to pay or the Authority shall receive under item (ii) above shall be the amount of interest to accrue on such refunding bonds outstanding.

If the Loan Obligations have been refunded, the amount which the Borrower shall be obligated to pay or the Authority shall receive under item (iii) above, when the refunded Loan Obligations are to be redeemed, shall be the applicable premium, if any, on the Loan Obligations to be redeemed.

(b) Nothing in Section 4.05 or in this Section 4.06 shall be construed as preventing the Borrower from refunding the Borrower Bond in exchange for a new Borrower Bond in conjunction with a refunding of the Loan Obligations. The Borrower also may provide for the payment of and may defease its Borrower Bond (1) by giving at least 50 days' notice to an Authorized Officer (unless the Authorized Officer consents to a shorter period); (2) by delivering or causing to be delivered to the Trustee moneys in an amount and/or noncallable Government Obligations, the principal of and interest on which when due will, together with such moneys, in the written opinion of an independent certified public accountant or independent consulting firm delivered to the Authority and the Trustee, provide money sufficient to pay the principal of and interest on the Loan Obligations when due to the stated date fixed for redemption or to each maturity date as set forth in such opinion; and (3) unless waived by the Authority, by delivering or causing to be delivered to the Authority a written Counsel Opinion to the effect that such defeasance will not in and of itself cause the interest on the Borrower Bond or on the Series 2017A Bonds to be included in gross income for federal income tax purposes.

ARTICLE V

Additional Covenants and Agreements

Section 5.01. Fees and Charges. The Borrower is obligated to pay to the Authority Fees and Charges within 30 days after receiving an invoice from the Authority therefor. Such Fees and Charges actually collected from the Borrower shall be in an amount sufficient, together with the

Borrower's Allocable Proportion of other money available therefor under the provisions of the Bond Resolution, including any specific grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof and amounts applied therefor from amounts transferred to the Operating Account pursuant to Section 606 of the 2016 Master Resolution:

a. to pay, as the same become due, the Borrower's Allocable Proportion of the Administrative Expenses of the Authority; and

b. to pay, as the same become due, the Borrower's Allocable Proportion of the fees and expenses of the Trustee and paying agent for the Loan Obligations.

The Borrower's Allocable Proportion as used herein shall mean the proportionate amount of the total requirement in respect to which the term is used determined by the ratio that the principal amount of the Borrower Bond outstanding bears to the total of all Loans then outstanding to all Borrowers under the 2016 Master Resolution, as certified by the Authority. The waiver by the Authority of any fees payable pursuant to this Section 5.01 shall not constitute a subsequent waiver thereof.

Section 5.02. Closing Conditions. (a) Simultaneously with or prior to the delivery of the Borrower Bond to the Authority, the Borrower shall furnish to the Authority and the Trustee copies of each of the Initial Master Security Documents, in form and substance approved by the Authority, and confirmation that each of the Master Security Documents has been executed and delivered by the Borrower and the Master Trustee and filed or recorded as required, together with evidence satisfactory to the Authority that sets forth, among other things, that (1) the Borrower Bond constitutes a valid and binding Obligation of the Borrower secured by the Borrower's pledge and assignment of, and first-priority lien and security interest in, the Trust Estate created under the Master Trust Indenture and on the security and sources of payment made and provided for in Article IV and in the Master Security Documents; and (2) except for [the City of Marshall Loan and] [\$_____ of Excluded Equipment leases and loans], the Borrower Bond is the Borrower's only outstanding Indebtedness; and (3) the amount of the Loan is not more than 49 percent of the costs of the Project.

(b) Prior to payment by the Authority of the amount of the Loan or any portion thereof, and the delivery by the Borrower to the Authority or its designee of the Borrower Bond, the Authority shall have the right to cancel all or any part of its obligations hereunder if it determines that:

(1) Any representation or other statement made by the Borrower to the Authority herein, in the Letter of Representation or the Tax Agreement or in connection with its application to the Authority for a Loan or any representation or other statement made by the Borrower to the USDA or in the Master Trust Indenture or in any of the other Master Security Documents shall be incorrect or incomplete in any material respect.

(2) The Borrower has violated commitments made by it in the terms of the City of Marshall Loan, this Loan Agreement, the Letter of Representation, the Master Trust Indenture or

any of the other Master Security Documents or in any of the Borrower's agreements with the Indian Health Service or the USDA.

(3) The financial position of the Borrower has, in the opinion of the Authority, suffered a materially adverse change between the date of this Loan Agreement and the scheduled time of delivery of the Borrower Bond to the Authority.

(c) The obligation of the Authority under this Loan Agreement is contingent upon delivery of Series 2017A Bonds and receipt of the proceeds thereof and upon the deposit by the Borrower with the Trustee for credit to the Borrower Reserve Account of an amount equal to the reserve requirement required in Section 4.03.

(d) At or prior to the Closing Date, the Authority also shall have received (i) (A) an executed or certified copy of the Amendment to Bond Documents, including the written consent, in form and substance satisfactory to the Authority, of the purchaser of the bonds issued to make the City of Marshall Loan or (B) evidence satisfactory to the Authority that payments of all obligations on or related to the City of Marshall Loan have been made or provided for and that all documents and obligations thereunder were terminated; (ii) executed or certified copies of each of the Initial Master Security Documents and copies of the forms of the other Master Security Documents; and (iii) evidence that each of the requirements of the Master Security Documents, including the First Supplemental Indenture, Article II of the Master Trust Indenture and Section ___ of the Bond Purchase Agreement has been satisfied, in each case in form and substance theretofore agreed to by the Authority; and (iv) evidence that each of the insurance requirements specified in Exhibit D has been satisfied [and each of the construction arrangements specified in Exhibit D-2 has been completed or delivered]— **to be added if not in the First Supplemental, the Direct Agreements or the MTI**].

Section 5.03. Reports and Invoices; Notices and Consents; and Required Insurance.

(a) Invoices for payments under this Loan Agreement shall be addressed to the Borrower, Yukon-Kuskokwim Health Corporation, 829 Chief Eddie Hoffman Highway, P.O. Box 528, Bethel, Alaska 99559; Attention: Vice President—Finance, with a copy to each of the Master Trustee and the Trustee. The Borrower shall give the Authority and the Master Trustee and the corporate trust office of the Trustee under the Bond Resolution at least 30 days' written notice of any change in such address.

(b) The Borrower agrees to keep and retain, until the date six years after the retirement of the Borrower Bond, or any bond issued to refund the Borrower Bond, or such longer period as may be required by the Borrower's record retention policies and procedures, records with respect to the investment, expenditure and use of the proceeds derived from the sale of its Borrower Bond, including without limitation, records, schedules, bills, invoices, check registers, cancelled checks and supporting documentation evidencing use of proceeds, and investments and/or reinvestments of proceeds. The Borrower agrees that all records required by the preceding sentence shall be made available to the Authority upon request.

(c) The Borrower agrees that it will provide to the Authority, or require the Master Trustee to provide to the Authority, written notice of any default in any covenant under the Master

Trust Indenture and/or under any Supplemental Indenture or Master Security Agreement or any other Borrower Document or operating agreement and of any default by a party and of any nonpayment by an operator, within thirty (30) days after the date of such default or nonpayment.

(d) The Borrower agrees that it shall enter into a Continuing Disclosure Agreement, substantially in the form attached hereto as Exhibit C, and shall file the Annual Report, notices and annual financial statements with the Municipal Securities Rulemaking Board when required and in any event not later than two hundred ten (210) days after the end of each fiscal year of the Borrower so long as the Borrower Bond and the Series 2017A Bonds are outstanding. The Borrower further agrees that filings thereunder shall be made in connection with CUSIP Nos. 01179P, 011798 and 01179R. Additional or alternate CUSIP number(s) may be added from time to time by written notice from the Authority to the Borrower. The Borrower agrees that if it receives from the Authority CUSIP number(s) in addition to those set forth in this Subsection then the Borrower shall make its filings using the CUSIP numbers herein stated and any additional CUSIP number(s).

(e) The Borrower also agrees that upon request of the Authority, if the Borrower's bonds constitute ten percent (10%) or more of the outstanding principal amount of bonds of all borrowers under the 2016 Master Resolution, the Borrower will provide to the Authority for inclusion in future official statements operating data and financial operation generally of the type included in Appendix [B] of the Official Statement published in connection with the Series 2017A Bonds and otherwise as may be requested by the Authority, to enable the Authority and applicable borrowers to comply with then-applicable disclosure requirements.

(f) The Borrower also agrees that the Borrower shall give written notice to the Authority, the Trustee and to any third-party payor of any change in the identity of the Master Trustee and of any other collateral agent or any proposed modification of any of the Master Security Documents or any instruction in connection therewith at least thirty (30) days prior to the proposed effective date of such change or modification and that unless otherwise agreed to by the Authority, no such change or modification shall be effective without the prior written consent of the Authority.

(g) The Borrower further agrees that the Borrower shall not merge into, or consolidate with, one or more Persons (as defined in the Master Trust Indenture) or allow one or more Persons to merge into it, or sell or convey all or substantially all of its Property to any Person unless, in addition to satisfying all of the requirements to such merger, consolidation or conveyance set forth in the Master Trust Indenture and in any other Master Security Document, the Borrower obtains the prior written consent of the Authority.

(h) The Borrower agrees that in addition to any other conditions to be satisfied, or consents required, in this Loan Agreement or in any of the other Borrower Documents, the Borrower shall not agree to or enter into any amendment to any of the Borrower Documents without the prior written consent of the Authority.

(i) [Covenant to maintain the insurance specified in Exhibit D to be added if not included in the Master Trust Indenture or in the First Supplement]

Section 5.04. Tax Covenants. (a) The Borrower agrees that it shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on the Series 2017A Bonds to be included in gross income for federal income tax purposes under section 103 of the Code.

(b) The Borrower shall not permit any of the proceeds of the Borrower Bond, or any facilities financed or refinanced with such proceeds, to be used in any manner that would cause the Series 2017A Bonds to constitute “private activity bonds” (other than qualified 501(c)(3) bonds) within the meaning of Section 141 and 145 of the Code.

(c) The Borrower agrees that it shall not take, or omit to take any action lawful and within its power to take that would, if taken or not taken, result in the Borrower’s ceasing to be a qualified 501(c)(3) organization.

(d) The Borrower shall make no use or investment of the proceeds of the Borrower Bond which will cause the Series 2017A Bonds to be “arbitrage bonds” under Section 148 of the Code. So long as the Borrower Bond or the Series 2017A Bonds are outstanding, the Borrower, shall comply with all requirements of said Section 148 and all regulations of the United States Department of Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect. The Borrower shall indemnify and hold harmless the Authority from any obligation of the Borrower to make rebate payments to the United States under said Section 148 arising from the Borrower’s use or investment of the proceeds of the Borrower Bond or the Series 2017A Bonds.

Section 5.05. Events of Default. An Event of Default shall have occurred if:

(1) The Borrower shall fail to make any payment when due on the Borrower Bond, on any other Obligation or on the USDA Loan;

(2) The Borrower shall fail to pay any Borrower Payment (other than a Borrower Payment referred to in clause (1) of this Section 5.05) or to make a required deposit to the Borrower Reserve Account;

(3) An Event of Default under the Master Trust Indenture, any other Master Security Document, the USDA Loan or the First Supplemental Indenture (other than referred to in clauses (1) and (2)) occurs;

(4) Days Cash on Hand is less than 50 days for a Fiscal Year;

(5) The Borrower fails to observe any of its other covenants in Article IV;

(6) The Borrower fails to observe any other covenant (other than a covenant contained in subsection 5.03(d)) and if curable, such failure continues for a period of 60 days (or 90 days if the default is curable but is not curable within 60 days and the Borrower has undertaken to cure such default) after written notice of such failure is given by the Authority or the Trustee; or

(7) Any Bankruptcy or Insolvency Event occurs.

Section 5.06. Remedies. (a) Upon the happening and continuance of any Event of Default specified in Section 5.05, the Authority may take any one or more of the following remedies:

(i) by mandamus or other suit, action or proceeding at law or in equity, enforce all of its rights under this Loan Agreement and the Master Trust Indenture and require the Borrower to perform all of its obligations hereunder or thereunder and under the other Borrower Documents;

(ii) by bringing suit upon the Borrower Bond and/or this Loan Agreement, the Master Trust Indenture or any of the other Borrower Documents, including the Master Security Documents and/or direct the Master Trustee or the Trustee, as applicable, to initiate and pursue such actions;

(iii) by action or suit in equity, enjoin any acts or things that may be unlawful or in violation of the rights of the Authority; and

(iv) upon the occurrence of an Event of Default described in 5.05(1), 5.05(2), 5.05(3) or 5.05(7) and unless the principal of the Borrower Bond has already become due and payable, by notice in writing to the Borrower, declare the principal of the Borrower Bond and the interest accrued thereon to be due and payable immediately or upon such other specified date and upon such declaration, the same shall become due and payable, anything in this Loan Agreement or in the Borrower Bond to the contrary notwithstanding.

(b) The remedy set forth in clause (iv) of subsection 5.06(a) is subject, however, to the condition that if at any time after the principal of the Borrower Bond has been declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Borrower pays to the Authority, or to the Trustee for the account of the Authority, an amount sufficient to pay all principal and interest on the Borrower Bond and all other Borrower Payments, together with interest on such Bonds, with interest on such overdue amounts at the applicable rates borne by the Borrower Bond, and/or on its Allocable Proportion of Authority Reserve Fund Interest Expense or Reimbursement Obligation or both, as applicable, the Authority's reasonable expenses of enforcing its rights and any and all other defaults (other than payments of principal and interest due and payable solely by reason of such declaration) shall have been cured to the satisfaction of the Authority, then the Authority shall rescind and annul such declaration of acceleration and its consequences; provided, however that no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

ARTICLE VI

Miscellaneous

Section 6.01. Severability. If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement and this Loan Agreement shall

be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

Section 6.02. Counterparts. This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments, and take such other actions as are necessary, to give effect to the terms of this Loan Agreement.

Section 6.03. Waivers; Mergers etc. (a) No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other term or condition hereof, nor shall a waiver of any breach of this Loan Agreement be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

(b) This Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the subject matter hereof and constitutes the entire agreement between the parties hereto in respect thereof.

Section 6.04. Governing Law. This Loan Agreement and the obligations of the Authority and the Borrower shall be governed by the laws of the State of Alaska.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement the day and year first above written.

ALASKA MUNICIPAL BOND BANK
AUTHORITY

By: _____
DEVEN J. MITCHELL
Executive Director

YUKON-KUSKOKWIM HEALTH
CORPORATION

By: _____

EXHIBIT A

\$ _____
Yukon-Kuskokwim Health Corporation
Obligation No. 1
("Borrower Bond")

Due
_____[Month] 1

Principal
Amount
\$

Interest
Rate
%

Principal installments shall be payable on _____ 1 in each of the years, and in the amounts set forth above. The Borrower Bond shall be dated _____, 20____. Interest on the Borrower Bond shall be payable on _____ 1, 20____, and thereafter on _____ 1 and _____ 1 of each year.

Prepayment Provisions: The Borrower Bond principal installments [stated to mature prior to _____] are not subject to prepayment prior to maturity.

Optional Prepayment: The Borrower Bond principal installments due on or after _____ 1, 20-- are subject to prepayment in whole or in part at the option of the Borrower on any date on or after _____ 1, 20____, at a price of 100% of the principal amount thereof to be prepaid, plus accrued interest to the date fixed for prepayment.

EXHIBIT B

Part I

Definitions

“Act” means AS 44.85.005 through AS 44.85.420, as amended from time to time.

“AIDEA Note Agreement” means the agreement or agreements among the Borrower, the Alaska Industrial Development & Export Authority and the underwriter of the AIDEA Notes, providing for, among other things, the terms of the AIDEA Notes and conditions to the issuance and purchase of the AIDEA Notes.

“AIDEA Notes” means the Loan Anticipation Notes to be issued by the Alaska Industrial Development & Export Authority in an aggregate principal amount [not to exceed \$_____] to provide interim financing to the Borrower and to be repaid from, among other sources, proceeds of the USDA Loan and/or proceeds of refunding notes and amounts payable by the Borrower under a promissory note issued and secured under the Master Security Documents as Obligation No. 2.

“Alternate Certificate” means a written certificate prepared by an independent consultant with demonstrated expertise in healthcare finance matters, including a consulting engineer, certified public accountant or other consultant approved by Authority staff, to the effect that based upon assumptions and forecasts stated in the certificate or in a report accompanying the certificate, the Maximum Annual Debt Service Coverage Ratio will not be less than 1.50 and the Maximum Total Debt Service Coverage Ratio will not be less than 1.25 during any year in which the USDA Loan and the Obligations, including the Obligations then to be issued, are scheduled to be Outstanding.

“Amendment to Bond Documents” means the Amendment to Bond Documents dated February __, 2017, between the Borrower and Wells Fargo Bank, National Association, as amended with the prior written consent of the Authority and the Master Trustee.

“Annual Debt Service” means the aggregate amount of Debt Service payable during a Fiscal Year.

“Authority” means the Alaska Municipal Bond Bank Authority, a public corporation of the State and an instrumentality of the State within the Department of Revenue created pursuant to the provisions of the Act.

“Authority Reserve Fund Interest Expense” has the meaning assigned thereto in the Bond Resolution.

“Bankruptcy or Insolvency Event” means (i) the commencement by the Borrower of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law or the Borrower’s consent to the entry of an order for relief in an involuntary case under any such law; or the Borrower’s consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official of the Borrower or for any substantial part of the Borrower’s property; or any general assignment by the Borrower for the benefit of

creditors; or the Borrower's failure to pay its debts as they become due; or the commencement by the Borrower of any corporate action in furtherance of any of the foregoing; or (ii) the entry by a court having jurisdiction of a decree or order for relief in respect of the Borrower in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Borrower or for any substantial part of the Borrower's property, or ordering the winding up or liquidation of the Borrower's affairs, and such decree or order remains unstayed and in effect for a period of 90 consecutive days.

"Board" means the Board of Directors of the Authority.

"Bond Counsel" means Orrick, Herrington & Sutcliffe LLP.

"Bond Resolution" or "Resolution" means the 2016 Master Resolution together with the Series Resolution.

"Borrower" means Yukon-Kuskokwim Health Corporation, an Alaska nonprofit corporation.

"Borrower's Allocable Proportion" or "Allocable Proportion" has the meaning assigned thereto in Section 5.01 of this Loan Agreement.

"Borrower Bond" means Obligation No. 1, a bond or promissory note issued and secured by the Borrower pursuant to the Master Trust Indenture and the other Master Security Documents in the principal amount of \$_____ to evidence and secure the Borrower's obligation to repay the Loan to the Borrower from the Authority.

"Borrower Bond Interest Payments" has the meaning set forth in Subsection 3.02(b).

"Borrower Bond Principal Payments" has the meaning set forth in Subsection 3.02, as further defined in Subsection 4.02(a)(2).

"Borrower Bond Resolution" means Resolution No. 17-01-01, adopted by the Board of Directors of the Borrower on January 20, 2017.

"Borrower Debt Service Account" has the meaning set forth in the Series Resolution.

"Borrower Documents" means this Loan Agreement, the Master Trust Indenture, the Parity Agreement, the other Master Security Documents, the Borrower Bond, the Borrower Letter of Representation, the Borrower Bond Resolution, the Continuing Disclosure Agreement and the Amendment to Bond Documents, each as amended and supplemented from time to time in accordance with the Master Trust Indenture if applicable and with the prior written consent of the Authority.

"Borrower Letter of Representation" or "Letter of Representation" means the Letter of Representation, dated _____, 2017, by the Borrower to the Authority and the Underwriters.

“Borrower Payments” or “Borrower Loan Payments” has the meaning set forth in the Master Resolution and includes without limitation Borrower Bond Interest Payments, Borrower Bond Principal Payments, the Borrower’s Allocable Proportion of Authority Reserve Fund Interest Expense, if any, and any Reimbursement Obligation attributed to the Borrower.

“Borrower Reserve Account” has the meaning set forth in Section 4.02(a)(4) of this Loan Agreement.

“Borrower Reserve Requirement” means an amount equal to the least of (i) maximum annual debt service on the Borrower Bond, (ii) 125% of average annual debt service on the Borrower Bond and (iii) 10% of the initial principal amount of the Borrower Bond.

“Business Day” means any day other than a Saturday or Sunday or any other day on which banks in New York, Alaska or the state in which the Trustee or the Master Trustee performs duties under or in connection with the 2016 Master Resolution or any Master Security Document is closed or authorized to be closed.

“City of Marshall Loan” has the meaning set forth in Section 2.01(e).

“Closing Date” means _____, 2017.

“Code” means the Internal Revenue Code of 1986 and the regulations promulgated thereunder.

“Collateral Agent” means the Master Trustee as collateral agent and depository under the Collateral and Depository Agreement.

“Collateral and Depository Agreement” means, collectively, any separate collateral agreement and/or depository or account agreement or agreements (including a Deposit Account Control Agreement and/or a Collection Account or Deposit Account Instructions and Service Agreement) pursuant to which a bank or trust company as collateral agent, depository and/or securities intermediary, holds security interests granted by the Borrower in the collateral specified therein for the benefit of the Master Trustee, USDA, and any other secured parties named therein or acceding thereto, and any amendment thereto approved by the Master Trustee and the Authority.

“Days Cash On Hand” means as of any date, the amount derived by dividing (1) Unrestricted Cash and Investments by (2) Days of Operating Expenses.

“Days of Operating Expenses” means operating expenses, excluding depreciation and amortization, extraordinary, nonrecurring expenses, non-cash items such as unrealized gains or losses and expenses resulting from a refunding transaction and costs of issuance related thereto, divided by the number of days in the applicable period.

“Debt Service” means the aggregate amount required during a specified period to pay or to make deposits for the payment of (i) the principal of, premium if any and interest on the Borrower Bond, any other Obligations and the USDA Loan, (ii) the Borrower’s Allocable Proportion of Authority Reserve Fund Interest Expense and (iii) the amount required to be

deposited to the Borrower Reserve Account and/or to pay any Reimbursement Obligations attributed to the Borrower (other than in each case amounts required to be paid or deposited from proceeds received from the sale of the USDA Loan or such Obligations).

“Debt Service Coverage Ratio” means for any specified period the ratio achieved by dividing Net Revenues by Debt Service payable or for which deposits are required to be made for such period.

“Debt Service Account” has the meaning assigned thereto in Section 503 of the Series Resolution.

“Deed of Trust” means the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated _____, 2017, granted by the Borrower to _____ for the benefit or in favor of the Master Trustee [the Collateral Agent, if not the entity that serves as Master Trustee].

“Deposit Account” means each deposit, brokerage or similar account containing _____.

“Deposit Account Control Agreement” or “Depository Agreement” means the Deposit Account Control Agreement and the Deposit Account Instructions and Service Agreement, each dated _____, 20__ among the Borrower, Wells Fargo Bank, National Association and the Master Trustee [and the Collateral Agent] as secured party, and any amendments thereto and instructions in accordance therewith approved in writing by the Authority [and the Master Trustee].

“Deposit Day” has the meaning assigned thereto in Section 4.02(a) of this Loan Agreement and includes any Supplemental Deposit Day as defined in Section 4.02(c).

“Direct Agreements” has the meaning set forth in the Master Trust Indenture.

“Excluded Equipment Leases” means the existing equipment loans and capital leases, and leases or loans for non-essential equipment and supplies that are payable only as Operating Expenses, i.e., after all deposits and payments required by the Master Trust Indenture are made.

“First Supplemental Indenture” means the First Supplemental Indenture between the Borrower and the Master Trustee, providing for, among other things, the issuance to the Authority of the Borrower Bond as evidence of and security for the payment and performance by the Borrower of the Borrower’s obligations under this Loan Agreement, as amended or supplemented from time to time in accordance with the Master Trust Indenture and with the prior written consent of the Authority.

“Fiscal Year” means a 12-month period ending September 30, unless the Borrower notifies the Authority and the Trustee that the Borrower has adopted a different 12-month period as its fiscal year.

“General Revenues” means all of the Patient Revenues and Accounts as defined in the Master Trust Indenture, as are now in existence or as may be hereafter acquired; and all

investments thereof and earnings therefrom, and all rents and proceeds thereof, excluding, however, all Restricted Borrower Funds.

["Hedge Agreement" means any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross currency rate swap transaction, currency option, total return swap, credit default swap or any other similar transaction (including any option with respect to any of these transactions) and any other agreement or option involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.]

"Indebtedness" means (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services; (b) obligations as lessee under leases that are or should be or should have been, reported as capital leases in accordance with GAAP; (c) all obligations arising under any acceptance facility; (d) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any person or otherwise to assure a creditor against loss; (e) obligations secured by any liens on property owned by such person, whether or not the obligations have been assumed; (f) all other items or obligations that would be included in determining total liabilities on the balance sheet of a person if the payment of such obligations is secured by a pledge or assignment of or a lien on or security interest in General Revenues or Net Revenues; and (g) contingent liabilities under any Hedge Agreement to which it is a party; provided, however, that "Indebtedness" shall not include (i) trade payables and similar obligations and obligations secured exclusively by purchase money security interests which are incurred in the ordinary course of business and are not past due, (ii) both the indebtedness directly incurred and any corresponding indirect guaranty of the same indebtedness, (iii) planned giving actuarial liabilities as reflected in the financial statements of such person to the extent they are offset by planned giving investments, or (iv) indebtedness secured on a basis junior and subordinate to the Bonds.

"Initial Master Security Documents" means the Master Trust Indenture, the First Supplemental Indenture, the Deed of Trust and title policy and evidence of recording, the Security Agreement and filed UCC financing statements, the Direct Agreements, the [Collateral and Depository Agreement/the Deposit Account Control Agreement], the Parity Agreement, confirmation letter and letter of conditions from the USDA, [the AIDEA Note agreement, term sheet and form of Second Supplemental Trust Indenture]

"Loan Obligations" has the meaning set forth in Subsection 3.02(b).

"Master Resolution" or "2016 Master Resolution" means the Authority's 2016 Master Bond Resolution, Resolution No. 2016-03 adopted by the Board on May 5, 2016 as amended or supplemented from time to time in accordance therewith.

“Master Security Documents” means the Master Trust Indenture, the First Supplemental Indenture, the Security Agreement and filed UCC financing statement, the Direct Agreements, the Deed of Trust and title policy, the Collateral and Depository Agreement and the Parity Agreement each as amended from time to time in accordance with the Master Trust Indenture and with the prior written consent of the Authority.

“Maximum Annual Debt Service” means the largest amount of Debt Service scheduled to be paid in the current or any future year during which the Borrower Bond, Obligation No. 1 and any Borrower Bond or Obligation issued or to be issued in exchange therefor, or to refund, all or any portion of the Borrower Bond are scheduled to be Outstanding.

“Maximum Annual Debt Service Coverage Ratio” means for a specified period the ratio achieved by dividing Net Revenues for such period by Maximum Annual Debt Service payable or for which deposits are required to be made.

“Maximum Total Coverage Ratio” means for any year in which the Borrower Bond, Obligation No. 1 and any Borrower Bond or Obligation issued or to be issued in exchange therefor, or to refund, all or any portion of the Borrower Bond Obligations are scheduled to be outstanding, the ratio achieved by dividing Net Revenues for such year by (1) Maximum Annual Debt Service payable or for which deposits are required to be made; plus (2) maximum annual debt service scheduled to be paid on [the City of Marshall Loan and] any Subordinated Indebtedness (other than debt service to be paid from the proceeds received from the sale of Subordinated Indebtedness).

“Net Revenues” means General Revenues, less operating expenses, excluding depreciation and amortization; interest expense; extraordinary, nonrecurring expenses; non-cash items such as unrealized gains and losses and expenses resulting from a refunding transaction and costs of issuance related thereto.

“Obligations” or “Parity Obligations” means the Borrower Bond, the USDA Loan, the AIDEA Notes and any additional bond or other indebtedness the payment of which is secured on a parity with the Borrower Bond and, other than the USDA Loan, is issued as an Obligation as defined in the Master Trust Indenture in accordance with the provisions of the Master Trust Indenture, the First Supplemental Indenture and Article IV.

“Parity Agreement” means the Parity Agreement dated _____, 2017, by and among the Borrower, USDA and the Master Trustee as amended from time to time in accordance with the Master Trust Indenture and with the prior written consent of the Authority.

“Permitted Liens” or “Permitted Encumbrances” has the meaning assigned thereto in the Master Security Documents.

“Project” means the expansion of the Borrower’s hospital and the design, construction and equipment of the Borrower’s primary care clinic in Bethel, Alaska.

“Regional Health Organization” means an organization defined in AS 18.28.100, currently, a nonprofit corporation or home rule borough that provides health aide services under a contract with the Alaska Native Health Service in a rural area that is at least 4,000 square miles.

“Reserve Depositary Agreement” means the Reserve Depositary Agreement, between the Borrower and the Trustee providing for the establishment, funding and investment of the Borrower Reserve Account as amended from time to time.

“Reserve Fund Credit Facility” has the meaning assigned thereto in the 2016 Master Resolution.

“Reserve Fund Credit Facility Reimbursement Obligation” has the meaning assigned thereto in the 2016 Master Resolution.

“Restricted Borrower Funds” means revenues and gifts, grants, devises, bequests and contributions of any and all types (i) designated by the maker to a specific purpose inconsistent with their use or (ii) unavailable under applicable law, in either case to pay debt service on Indebtedness.

“Security Agreement” means the Security Agreement, dated as of ____ __, 2017, between the Borrower and the Master Trustee [Collateral Agent], as amended from time to time in accordance with the Master Trust Indenture and with the prior written consent of the Authority.

“Series 2017A Bonds” means the Alaska Municipal Bond Bank Authority Master Resolution General Obligation Bonds, Series 2017A.

“Series Resolution” means the Authority’s Resolution No. 2017-01 adopted by the Board on February 9, 2017, as amended or supplemented from time to time in accordance therewith and with the Master Resolution.

“Supplemental Deposit Day” has the meaning set forth in 4.01(c).

“Total Coverage Ratio” means for any specified period the ratio achieved by dividing Net Revenues by (1) Debt Service, plus (2) amounts to be paid on the City of Marshall Loan, plus the amounts required to be deposited (other than from the proceeds of Subordinated Indebtedness) to any fund or account held by or for the Master Trustee for the payment of the Subordinated Indebtedness issued under the Master Trust Indenture.

“Trust Estate” means the trust estate created under the Master Trust Indenture and the other Master Security Documents.

“Underwriters” means J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets, LLC.

“Unrestricted Cash and Investments” means the sum of the following unrestricted items: cash, cash equivalents, marketable securities and liquid investments but excluding in each case,

Trustee-held funds, debt service funds, debt service reserve funds and pension and retirement funds.

“USDA” means the United States Department of Agriculture acting through its Rural Housing Service, and any successor agency.

“USDA Loan” means a loan from the USDA to the Borrower made pursuant to [the Letter of Conditions as amended,] from the USDA to the Borrower.

Part II

Rules of Construction and Interpretation

Words of the masculine gender are deemed and construed to include correlative words of the feminine and neuter genders. Words imparting the singular number include the plural numbers and vice versa unless the context indicates otherwise. Reference to sections and to other subdivisions are references to sections and subdivisions in this Loan Agreement unless the stated otherwise. The headings and titles of articles and sections and the table of contents are for convenience of reference only and do not define or limit the provisions hereof.

EXHIBIT C
FORM OF THE BORROWER'S
CONTINUING DISCLOSURE AGREEMENT

Alaska Municipal Bond Bank Authority
Master Resolution General Obligation Bonds, Series 2017A

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Yukon-Kuskokwim Health Corporation (the "Borrower") in connection with the issuance by the Alaska Municipal Bond Bank Authority (the "Authority") of the bonds described above (the "Bonds"). The Bonds are being issued pursuant to the Authority's 2016 Master Bond Resolution (the "2016 Master Resolution"), adopted by the Board of Directors (the "Board") of the Authority on May 5, 2016, as supplemented by a Series Resolution, adopted by the Board of the Authority on February 9, 2017 (the "Series Resolution" and together with the 2016 Master Resolution, the "Resolutions"). A portion of the proceeds of the Bonds are being loaned to the Borrower by the Authority pursuant to a Loan Agreement, dated as of _____, 2017, between the Authority and the Borrower (the "Loan Agreement").

As required by the Loan Agreement, the Borrower is entering into this Disclosure Agreement and covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement; No Authority Responsibility. This Disclosure Agreement is being executed and delivered by the Borrower for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5). The Borrower acknowledges that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required to be provided under this Disclosure Agreement and has no liability of any kind to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

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

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

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Borrower, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Borrower a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond is registered.

“Listed Events” shall mean any of the events listed in subsection 5(a) or (b) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement, dated _____, 2017, relating to the Bonds.

“Participating Underwriter” shall mean each of J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets, LLC, 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 Securities and Exchange 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 Borrower shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of the Borrower’s fiscal year, commencing with the report for the fiscal year ending September 30, 2017 (which is due not later than April 28, 2018), provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may cross-reference other information as provided in Section 4; provided, that the audited financial statements of the Borrower may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Borrower’s fiscal year changes, it shall give notice of such change in a filing with the MSRB in the same manner as for a Listed Event. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection 3(a), the Borrower shall provide the Annual Report to the Dissemination Agent (if other than the Borrower). If the Borrower is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Borrower shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Borrower) file a report with the Borrower certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The Borrower’s Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the Borrower for the preceding fiscal year, prepared in accordance with generally accepted accounting principles from time to time. If the Borrower's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the Borrower, the Annual Report also shall include historical operating data and financial information for the prior fiscal year of the type included in Appendix B of the Official Statement [under the heading "Yukon-Kuskokwim Health Corporation."]

Any or all of the items listed above may be set forth in one document or in a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Borrower, or related public entities, which have been made available to the public on the MSRB's website. The Borrower shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) The Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the 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 issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds or the Borrower Bond, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. 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 obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the Borrower determines would be material under applicable federal securities laws, the Borrower shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Series Resolution.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Borrower's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Borrower shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Borrower.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Borrower shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of

dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the Borrower to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borrower to comply with its obligations under this Disclosure Agreement; provided, that any such action may be instituted only in the Superior Court of the State of Alaska in and for the Fourth Judicial District in Bethel, Alaska or in U.S. District Court in or nearest to the Superior Court of the Fourth Judicial District in Bethel, Alaska. The sole remedy under this Disclosure Agreement in the event of any failure of the Borrower to comply with this Disclosure Agreement shall be an action to compel performance, and a failure under this Disclosure Agreement shall not be a default or Event of Default under the Loan Agreement or under any of the Master Security Documents.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Dissemination Agent, if any, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Any notices or communications to the Borrower under this Disclosure Agreement may be given to the Borrower as follows: Yukon-Kuskokwim Health Corporation, 829 Chief Eddie Hoffman Highway, Post Office Box 528, Bethel, Alaska 99559; Attention Vice President – Finance.

Date: _____.

YUKON-KUSKOKWIM HEALTH
CORPORATION

By _____
Authorized Borrower Representative

CONTINUING DISCLOSURE EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Borrower: Yukon-Kuskokwim Health Corporation

Name of Bond Issue: Alaska Municipal Bond Bank Authority Master Resolution General
Obligation Bonds, Series 2017A

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Agreement of the Borrower, dated the Date of Issuance. [The Borrower anticipates that the Annual Report will be filed by _____.]

Dated: _____

YUKON-KUSKOKWIM HEALTH
CORPORATION

By _____ [to be signed only if filed]

EXHIBIT D

INSURANCE REQUIREMENTS

I. General Requirements – all Facilities and Mortgaged Property

Defined terms used in this Exhibit D and not defined elsewhere in the Loan Agreement or in the Bond Resolution have the meanings assigned thereto in the Master Trust Indenture.

So long as the Series 2017A Bonds are outstanding, and as required also by the Master Security Documents, the Borrower shall provide insurance meeting the requirements of Section 505 of the Master Trust Indenture. That the insurance then in effect meets those requirements (and any additional requirements specified by the Insurance Consultant, USDA, the Authority or any other Obligation Owner) and is adequate to protect the Facilities and the Mortgaged Property shall be confirmed by the Insurance Consultant in the certificate delivered to the Authority, the Trustee and the Master Trustee on or before the date the Series 2017A Bonds are issued, annually prior to the date of substantial completion of the entire Project and at least once in every third Fiscal Year thereafter. The certificate also should confirm that earthquake coverage, otherwise required by Section 505 and by the Borrower's construction agreements, is not available "on commercially reasonable terms and prices" or at all.

During operation of the Facilities and in connection with the Project, after substantial completion of each Phase of the Project, the Borrower shall provide the insurance described in Part III, and during design and construction of the Project the Borrower also shall provide, or cause to be provided, the insurance described in Part II. [Each policy shall be provided by a commercial insurer whose claims-paying ability is rated at least "A" by A.M. Best Company, Inc.. or in one of the two[three] highest categories by one or more Rating Agencies.]

Self-insurance shall not be substituted for coverage required to be provided by third parties, unless the Insurance Consultant confirms in writing that such self-insurance is prudent under the circumstances, meets the standards required in this Exhibit D and in the Master Security Documents and _____.

Other than for workers' compensation coverage, all builders' risk, property and other insurance policies, including those described below, shall insure the interests of the Borrower (and all contractors and subcontractors [and suppliers], in the case of insurance during construction) and shall name the Master Trustee [and the beneficiaries/Collateral Agent¹ under each Deed of Trust] as loss payees, as their interests may appear. Upon payment and satisfaction of all of the Borrower's Obligations under, and termination of, the Master Trust Indenture and the other Master Security Documents, the Master Trustee [and the Collateral Agent] shall instruct the insurers to name the Borrower, or such successor credit provider or other Person as the Borrower shall specify, as loss payee.

¹ If no collateral agent, presumably add USDA in most places.

Other than umbrella excess liability policies, all builders' risk policies and property insurance policies shall not be umbrella policies but shall be dedicated policies that specify the Facilities, including the Project, and Mortgaged Property covered.

Each policy shall provide expressly that all provisions thereof, except the limits of liability (which shall be applicable to all insureds as a group) and the liability for premiums (which shall be solely a liability of the Borrower), shall operate in the same manner as if there were a separate policy covering each such insured. Each policy shall provide that it is primary coverage, shall waive subrogation against the Master Trustee[, the Collateral Agent] and the Borrower and shall waive any right of the insurers to any setoff or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of the Borrower or the Master Trustee [or Collateral Agent].

Each such policy shall provide that if such insurance is to be cancelled or not renewed for any reason whatsoever, the insurers (or their representatives) will promptly notify the Borrower and the Master Trustee [and Collateral Agent], and any such cancellation or non-renewal shall not be effective until 30 days (10 days for non-payment) after receipt of such notice by the Master Trustee [and Collateral Agent]. The builders' risk policy and the property insurance described below shall further provide that the insurance shall not be invalidated by any action of the Borrower or any other person and shall insure the interests of the Master Trustee [and the Collateral Agent] regardless of, and any losses shall be payable notwithstanding:

- (1) any act of negligence, including any breach of any condition, declaration, or warranty contained in any such policy of insurance by the Borrower or any other person;
- (2) the occupation, operation, or use of the Facilities, the Project, the Mortgaged Property or any portion thereof for purposes more hazardous than permitted by the terms of the policy, provided that if the Master Trustee [or the Collateral Agent] obtains knowledge of such change in occupation, operation, or use, it will notify the insurer of such change;
- (3) any foreclosure or other proceeding or notice of sale relating to the Facilities, including the Project, or the Mortgaged Property or any portion thereof; or
- (4) any change in the title to or ownership of all or any portion of the Facilities, including the Project, or the Mortgaged Property.

All insurance policies shall be written on an occurrence basis, except architects' and contractors' design professional errors and omissions liability policies, which may be written on a "claims-made" basis. Each time any policy written on a "claims-made" basis is not renewed or the retroactive date of such policy is to be changed, the Borrower shall obtain for each such policy or policies the broadest basic and supplemental extended reporting period coverage or "tail" reasonably available in the commercial insurance market for each such policy or policies and shall provide the Master Trustee [and the Collateral Agent] with proof that such basic and supplemental extended reporting period coverage or "tail" has been obtained.

II. Insurance of the Project During Construction

General Requirements. In addition to the insurance required in Part III below, during construction, including construction of the Project, the Borrower shall provide, through a General Contractor-controlled or Borrower-controlled insurance program, insurance meeting the requirements set forth below. To the extent the insurance program is not an owner-controlled program, the Borrower shall have the right to approve the amount, type, terms, carriers and deductible amounts for all insurance related to the Facilities insured under the program. Other than for workers' compensation coverage, the Borrower and the Master Trustee [and the Collateral Agent] shall be named insureds or loss-payees as their interests may appear, and each shall agree in writing that all proceeds are to be paid directly to the Master Trustee [Collateral Agent] for distribution as set forth in the Master Security Documents [or as set forth in a separate agreement approved by the Authority and to which the Master Trustee or Collateral Agent is a party].

In addition to the Borrower's property and comprehensive or commercial general liability insurance, automobile liability, excess liability and workers' compensation coverages, which are also required during operations and are described in Part III below, and in addition to any payment and performance bonds or other surety bonds required under construction or other agreements, the following insurance related to construction of the Project or other Facility shall be provided:

Builder's Risk and Liability Insurance. Builder's risk insurance shall cover all property relating to the entire Project through the latest completion date for the Project or portion thereof on an "all risk" occurrence basis with no exclusions in respect of any of the following perils: fire, lightning, windstorm, hail, removal, extended coverage perils (including without limitation, windstorm, hail, explosion, civil commotion, riot and riot attending a strike, aircraft damage, vehicle damage and smoke damage), flood, earthquake (unless otherwise provided in the first paragraph of Part I), collapse, sinkhole, subsidence, theft, vandalism and malicious mischief, water damage, damage resulting from design errors and omissions, faulty workmanship and/or faulty materials and boiler and machinery, including off-site storage and except as described below, including damage or loss in transit, including transit by water and air.

Coverage shall apply to the entire Project, including removal of debris, insuring the buildings, structures, machinery, equipment, fixtures, and other properties constituting a part of the Project, but excluding property that will be removed when the Project is completed, such as Contractors' equipment, forms, scaffolding, shoring, lighting, fences and signs.

Coverage shall include business interruption and delayed-opening coverage, including coverage of ordinary payroll and debt service and Soft Costs Coverage defined below, in an amount that includes loss of annual income from the Facility in each case for two years [in an annual amount not to exceed \$_____]. Delayed-opening insurance shall include delay caused by or related to damage to off-site property and improvements, damage to property in transit (including without limitation, transit via barge) and other property described above as builders' risk.

The completed value form shall be used insuring the property at an agreed amount on a replacement-cost basis, subject to annual aggregate limits of \$_____ in the case of flood coverage and \$_____ for _____.

Coverage also shall include:

- boiler and machinery coverage for the value of the property and loss of business income;
- pollution liability, including storage tank pollution liability (\$10 million per claim and \$10 million in aggregate);
- marine cargo coverage for transport of materials via barge – not less than the value of materials and equipment shipped, plus delayed opening coverage as described below;
- architects' design professional errors and omissions liability – to be purchased by each design contractor and sub-contractor (each with limits of no less than \$1.0 million per claim and \$2.0 million annual aggregate);
- contractors' professional liability – to be purchased by each design contractor and sub-contractor (each with limits of no less than \$1.0 million per claim and \$2.0 million annual aggregate);
- contractors' commercial automobile liability insurance (\$1.0 million per incurrence);
- owner's protective professional liability (\$10.0 million per claim);
- contractors' general liability to be purchased by the general contractor and each sub-contractor (each \$1.0 million per occurrence and \$2.0 million in aggregate); and
- contractors' excess liability to be purchased by the general contractor and each sub-contractor (\$10.0 million per occurrence). Excess liability coverage shall be on an occurrence basis in excess of the coverages provided by the liability policies described above. The umbrella and/or excess policies shall provide coverage at least as broad as provided in the underlying policies. Such policies shall also be written with a "pay on behalf" insuring agreement and defense costs are payable in addition to the limit.

The builder's risk policy shall be extended to cover (i) the periods through completion of the Project [Substantial Completion and through completion of components that are scheduled to be completed after Substantial Completion] and (ii) business interruption and delayed-opening coverage of ordinary payroll and "Soft Costs Coverage." In connection with construction of the Project, "Soft Costs Coverage" includes those expenses relating to the construction of the Project over and above the costs that would have been insured, consisting principally of, but not limited to, interest expense on financing (notwithstanding the availability of funds borrowed to pay interest during construction), legal fees, architect, Trustee, Master Trustee, insurance consultant, independent engineer and other engineering and administrative fees and expenses and accounting

fees for a period of [two years]. Soft Costs Coverage shall be for a minimum amount of \$_____, which shall include delay caused by off-site property damage and damage to property in transit (including without limitation, transit via barge), involving equipment and materials intended for delivery to and destined to become a permanent part of the Project.

All such policies may have deductibles not greater than [\$_____] per loss; flood coverage shall have a deductible not greater than [\$_____] each loss; and Soft Costs Coverage shall have a waiting period (or equivalent deductible) of no longer than thirty (30) days.

If the policy or policies described above contain(s) aggregate limits applying to other operations of the Borrower or the Contractor and if such limits are diminished by ten percent (10%) or more by any accident, occurrence, claim, settlement, or judgment against such insurance, the Borrower or the Contractor shall take immediate steps to restore such aggregate limits or shall provide other equivalent insurance equal to such exhausted limits. In the event the aggregate policy limit hereunder is not restored within thirty (30) days after a reduction, the Trustee shall obtain the necessary insurance coverage for which the Borrower or the Contractor shall pay the full premium charge.

III. Insurance During Operation

During operation of the Facilities and, in connection with the Project, after substantial completion of [each Phase of] the Project, the Borrower shall provide or cause to be provided the following insurance, in each case that satisfies the applicable requirements in Part I and is approved by the Insurance Consultant in a certificate delivered to the Master Trustee.

Property Insurance. Property insurance shall be on an "all risk" basis, with no exclusions with respect to any of the following perils: fire, lightning, removal, extended coverage perils (including without limitation, windstorm, hail, explosion, civil commotion, riot and riot attending a strike, aircraft damage, vehicle damage and smoke damage) and damage caused by flood, earthquake (unless otherwise approved by the Insurance Consultant), collapse, sinkhole, subsidence, theft, vandalism and malicious mischief, water damage, damage resulting from design errors and omissions, faulty workmanship and/or faulty materials, and boiler and machinery[and shall include damage or loss in transit, including transit by water and air]; provided however, that [earthquake and flood] coverage shall [each] be subject to an annual aggregate limit of \$_____ [(or such other limit certified by the Insurance Consultant as being reasonably commercially feasible)], including other coverages and perils as the Insurance Consultant may from time to time require to be insured. For each Facility, coverage shall apply to the entire Facility, including removal of debris, insuring the buildings, structure, machinery, equipment, fixtures and other properties constituting a part of the Facility, for limits equal to the agreed amount clause on a blanket basis with replacement cost coverage, including loss arising from demolition occasioned by enforcement of any applicable legal requirement.

The property insurance policy shall include business interruption coverage for [two] years[, with a waiting period (deductible) of no longer than 30 days,] including "Soft Costs Coverage." During operations, "Soft Costs Coverage" includes those expenses relating to the operation of the Facilities over and above the costs that have been insured, consisting principally of, but not limited

to, legal fees, Master Trustee, Trustee, insurance consultant, independent engineer and other engineering and administrative fees and expenses and accounting fees, ordinary payroll, payments of the principal and interest on the outstanding bonds and loans as they become due, expenses relating to satisfying obligations under any leases and purchase and sale agreements, etc. Business interruption Soft Costs Coverage shall be for a minimum amount of \$_____ shall have a waiting period (or equivalent deductible) of no longer than 30 days (eight hours in the case of a cybersecurity event business interruption).

Except as otherwise provided above, all such policies may have deductibles not greater than \$25,000 per loss; earthquake and flood coverage shall have a deductible not greater than [\$_____] each loss (if a dollar amount is available or alternatively, a deductible not greater than [five percent (5%)] of values at time of loss); and [boiler and machinery coverage shall be issued on a comprehensive basis, including breakdown, water damage, property damage, repair and replacement with limits not less than full replacement cost of the insured objects, including business income, extra expense and expediting expense.

The policy amount shall be sufficient to provide for a full recovery of 100 percent of the full insurable value of the property damage or one and one-half times the outstanding principal balance of the Obligations and the USDA Loan, whichever is less, and the policies shall provide that the insurance proceeds may be used to pay the owners of the Obligations and the USDA in the event that the Borrower elects not to rebuild the Facilities.

Comprehensive or commercial general liability insurance. Comprehensive or commercial general liability insurance shall be obtained covering all of the Facilities, on an “occurrence” basis, including, but not limited to, coverage for premises/operations, explosion, collapse and underground hazards, products/completed operations, broad form property damages, blanket contractual liability for oral and written contracts, owners and contractors protective, personal and advertising injury, incidental medical malpractice coverage, environmental liability. Primary coverage limits, excluding defense costs, of not less than \$_____ for injuries or death to one or more persons or damage to property resulting from any one occurrence and \$_____ aggregate limit for each location is required.

The comprehensive or commercial general liability policy also shall include cross liability and severability of interest clauses. Policy exclusions or limitations that are not standard to the general liability coverage form or that are added by manuscript endorsements shall be approved by the Insurance Consultant. Deductibles in excess of [\$_____] shall be subject to annual review and approval by the Insurance Consultant.

- Storage Tank Pollution Liability (limit of \$2.0 million per pollution condition, not including legal defense costs)
- Cyber Liability (limit of no less than \$1.0 million each claim)
- Directors and Officers Liability (aggregate limit of no less than \$10.0 million)
- Forgery, Computer Fraud and Other Crimes (\$2.0 million)

- Owner's Professional Indemnity Liability (\$10.0 million single and aggregate limit)

Workers' Compensation. Workers' compensation insurance shall be provided as required by law, including maritime employer's liability and Jones Act coverage if any exposure exists, and providing statutory benefits and other states' endorsement, voluntary providing statutory benefits and other states' endorsement, voluntary compensation and covering loss resulting from injury, sickness, disability, or death of the employees of the Borrower performing work with respect to the Facilities.

The Borrower also shall require that all contractors and subcontractors maintain all forms or types of insurance with respect to their employees as required by law at the same or greater limits of liability and coverage as specified above for the Borrower.

Automobile and Aviation Liability. Automobile liability insurance shall include coverage for owned, non-owned and hired automobiles for both bodily injury and property damage and including, for owned vehicles, uninsured and underinsured motorist liability coverage, with limits of not less than \$1.0 million per occurrence. Aviation liability insurance for non-owned aviation facilities shall include coverage for bodily injury and property damage with a limit of not less than \$2.0 million.

Umbrella or Excess Liability – Non-healthcare. Umbrella excess liability coverage of not less than \$1.0 million (not counting defense costs, which shall be payable in addition to the limit) for a non-healthcare-related claim by one person and an aggregate of [\$3.0 million] for claims by more than one person shall be required, adding the Master Trustee as an insured. Coverage shall be at least as broad as provided in the underlying policies and shall be written with a "pay on behalf" insuring agreement.

Healthcare General and Professional Liability. Coverage for medical malpractice and other healthcare claims shall include limits of not less than \$2.0 million for each claim (with self-insurance retention of not more than \$50,000) and \$4.0 million in the aggregate

Umbrella Excess Healthcare General and Professional Liability. Excess liability coverage shall be provided with limits not less than \$3.0 million for each occurrence or event and in the aggregate.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 16, 2017

NEW ISSUE
BOOK-ENTRY ONLY

FITCH RATING: [REDACTED]
S&P GLOBAL RATING: [REDACTED]
(See "RATINGS")

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel also is of the opinion based upon existing laws of the State of Alaska that interest on the Series 2017A Bonds is exempt from taxation by the State except for transfer, inheritance and estate taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017A Bonds. See "TAX MATTERS."



\$[REDACTED]*
ALASKA MUNICIPAL BOND BANK AUTHORITY|
MASTER RESOLUTION GENERAL OBLIGATION BONDS
(2016 MASTER RESOLUTION), SERIES 2017A

Dated: Date of Delivery

Due: [REDACTED] 1, as shown on inside cover

The Alaska Municipal Bond Bank Authority (the "Authority") is issuing \$[REDACTED]* aggregate principal amount of its Master Resolution General Obligation Bonds, Series 2017A (the "Series 2017A Bonds"), to make a loan to Yukon-Kuskokwim Health Corporation (the "2017A Borrower") (i) to pay, or to reimburse the 2017A Borrower for the payment of, a portion of the costs of designing, constructing and equipping the expansion of the 2017A Borrower's hospital and designing, constructing and equipping the 2017A Borrower's primary care clinic in Bethel, Alaska; (ii) to make a deposit to the 2016 Reserve Fund and a deposit to the 2017A Borrower's Reserve Account held by the Trustee; (iii) to make a deposit to the Capitalized Interest Subaccount and to pay or provide for the payment of the 2017A Borrower's Allocable Proportion of Authority Reserve Fund Interest Expense during construction; and (iv) to pay a portion of the costs of issuing the Series 2017A Bonds and costs of issuing the 2017A Borrower Bond, all as described herein.

The Series 2017A Bonds initially will be issued as fully registered bonds, in book-entry form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will serve as depository for the Series 2017A Bonds. Individual purchases of the Series 2017A Bonds will be made in principal amounts of \$5,000 or integral multiples thereof within a maturity. Purchasers of the Series 2017A Bonds will not receive certificates representing their beneficial ownership interests in the Series 2017A Bonds. Interest on the Series 2017A Bonds will accrue from the later of the date of delivery of the Series 2017A Bonds or the most recent interest payment date to which interest has been paid and is payable on each [REDACTED] 1 and [REDACTED] 1, commencing [REDACTED] 1, 2017.

The Bank of New York Mellon Trust Company, N.A., of San Francisco, California, as the Trustee and Paying Agent for the Series 2017A Bonds, is to make principal and interest payments to DTC, as the registered owner of the Series 2017A Bonds. Disbursement of such payments to DTC Participants is the responsibility of DTC. Disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants. See "DESCRIPTION OF THE SERIES 2017A BONDS" and Appendix H – "DTC AND ITS BOOK-ENTRY SYSTEM."

The Series 2017A Bonds are subject to redemption prior to their stated maturity dates. See "DESCRIPTION OF THE SERIES 2017A BONDS – Optional Redemption."

The Series 2017A Bonds are the second series of Bonds to be issued under Resolution No. 2016-03, adopted by the Board of Directors of the Authority on May 5, 2016 (the "2016 Master Resolution" or the "Master Resolution"). The Series 2017A Bonds are Master Resolution general obligations of the Authority, payable solely from the sources provided in and pledged pursuant to the 2016 Master Resolution and the Series Resolution described herein. The full faith and credit of the Authority are pledged for the punctual payment of the principal of and interest on the Series 2017A Bonds, subject to agreements made or that may be made in the future under resolutions pledging particular revenues or assets not pledged under the 2016 Master Resolution. Payments to be made by the 2017A Borrower are the primary security for the payment of the Series 2017A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Series 2017A Bonds do not constitute a debt or other liability of the State of Alaska, and the Series 2017A 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 Series 2017A Bonds. Neither the faith and credit nor the taxing power of the State of Alaska is pledged for the payment of the Series 2017A Bonds. The Authority has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

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

The Series 2017A Bonds are offered when, as and if issued, subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon for the 2017A Borrower by its bond counsel, Birch Horton Bittner & Cherot, Anchorage, Alaska. Certain legal matters will be passed upon for the Underwriters by their special counsel, Foster Pepper PLLC, Seattle, Washington. It is expected that the Series 2017A Bonds in definitive form will be issued and available by Fast Automated Securities Transfer for delivery through the facilities of DTC in New York, New York, on or about March ____, 2017.

J.P. Morgan Securities

BofA Merrill Lynch

RBC Capital Markets

Dated: March ____, 2017.

* Preliminary, subject to change.

\$[REDACTED]*

**Alaska Municipal Bond Bank Authority
Master Resolution General Obligation Bonds
(2016 Master Resolution), Series 2017A**

**MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS
(Base CUSIP* No. 01179R)**

* Preliminary, subject to change.

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No dealer, broker, salesperson, or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations with respect to the 2017A 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 Authority 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 2017A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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 2017A Bonds.

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 respective 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.

The 2017A Bonds have not been registered under the Securities Act of 1933, as amended, and the Bond Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The 2017A Bonds have not been recommended by any federal or state securities commission or regulatory authority. 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.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and “forward-looking statements.” The words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” “plan,” “budget,” “forecast,” “assume,” and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are based upon underlying assumptions, many of which in turn are based upon further assumptions. No assurance can be given that the future results or plans discussed herein will be achieved and actual results may differ, perhaps materially, from the plans, budgets, assumptions, forecasts and projections described herein. Except for the historical information included in the continuing disclosure undertaking of the Authority, the Authority does not plan to issue any updates or revisions to those forward-looking statements. See “CONTINUING DISCLOSURE UNDERTAKINGS.”

ALASKA MUNICIPAL BOND BANK AUTHORITY

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Municipal Advisor

Western Financial Group, LLC
Portland, Oregon

Table of Contents

| | Page | Page |
|--|------|------|
| INTRODUCTION..... | 1 | |
| PURPOSE OF THE SERIES 2017A BONDS | 2 | |
| SOURCES AND USES OF FUNDS | 3 | |
| DESCRIPTION OF THE SERIES 2017A BONDS | 3 | |
| SECURITY AND SOURCES OF PAYMENT FOR THE BONDS..... | 5 | |
| ALASKA MUNICIPAL BOND BANK AUTHORITY | 15 | |
| BONDS OUTSTANDING..... | 17 | |
| DEBT CAPACITY | 20 | |
| DEBT SERVICE REQUIREMENTS..... | 21 | |
| THE 2017A BORROWER AND THE 2017A PROJECT | 22 | |
| SUMMARY OF THE 2016 MASTER RESOLUTION | 22 | |
| LITIGATION | 32 | |
| TAX MATTERS..... | 32 | |
| CERTAIN LEGAL MATTERS..... | 35 | |
| UNDERWRITING..... | 35 | |
| MUNICIPAL ADVISOR | 36 | |
| FINANCIAL STATEMENTS..... | 36 | |
| RATINGS..... | 36 | |
| CONTINUING DISCLOSURE UNDERTAKINGS | 36 | |
| SOURCES OF CERTAIN INFORMATION | 38 | |
| MISCELLANEOUS..... | 39 | |
| OFFICIAL STATEMENT | 39 | |
| | | |
| APPENDIX A – Proposed Form of Opinion of Bond Counsel | | |
| APPENDIX B – Information Relating to the 2017A Borrower and the 2017A Project | | |
| APPENDIX C – Information Relating to Borrowers Representing Ten Percent or More of Outstanding Principal of Bonds Issued Under the 2016 Master Resolution | | |
| APPENDIX D – Financial Statements of the Alaska Municipal Bond Bank Authority for the Year Ended June 30, 2016 | | |
| APPENDIX E – Form of 2016 Master Resolution | | |
| APPENDIX F – State of Alaska | | |
| APPENDIX G – Proposed Forms of Authority Continuing Disclosure Certificate and 2017A Borrower Continuing Disclosure Agreement | | |
| APPENDIX H – DTC and its Book-Entry System | | |

OFFICIAL STATEMENT

Relating to

\$[REDACTED]*

Alaska Municipal Bond Bank Authority Master Resolution General Obligation Bonds (2016 Master Resolution), Series 2017A

INTRODUCTION

General

This Official Statement is furnished by the Alaska Municipal Bond Bank Authority (the “Authority”) to provide information regarding the Authority and the sale of \$[REDACTED]* aggregate principal amount of its Master Resolution General Obligation Bonds, Series 2017A (the “Series 2017A Bonds”).

The Series 2017A Bonds will be issued under Resolution No. 2016-03, adopted by the Board of Directors of the Authority (the “Board”) on May 5, 2016 (the “2016 Master Resolution” or the “Master Resolution”), and Resolution No. 2017-[REDACTED], adopted by the Board on February 9, 2017 (the “Series Resolution,” and together with the 2016 Master Resolution, the “Bond Resolution”). All bonds that are issued under and pursuant to the terms of the 2016 Master Resolution are referred to as the “Bonds.” Certain other capitalized terms that are used in this Official Statement and not otherwise defined herein are defined in the Bond Resolution. The form of the 2016 Master Resolution is attached to this Official Statement as Appendix E.

The Authority was created pursuant to Title 44, Chapter 85, as amended, of Alaska Statutes (the “Act”) for the primary purpose of lending money to eligible borrowers in the State of Alaska (the “State”), including purchasing bonds and promissory notes issued by such borrowers.

The Bank of New York Mellon Trust Company, N.A., of San Francisco, California, as Trustee under the 2016 Master Resolution (the “Trustee”), serves as the Trustee and Paying Agent for the Series 2017A Bonds.

The Series 2017A Bonds are Master Resolution general obligations of the Authority, payable solely from the sources provided in and pledged pursuant to the 2016 Master Resolution and the Series Resolutions described herein.

The full faith and credit of the Authority are pledged for the punctual payment of the principal of and interest on the Series 2017A Bonds, subject to agreements made or that may be made in the future under resolutions pledging particular revenues or assets not pledged under the 2016 Master Resolution. Payments to be made by the 2017A Borrower, as described herein, are the primary security and source of payment for the Series 2017A Bonds.

The Authority is obligated to pay the principal of, premium if any and interest on the Series 2017A Bonds only from revenues or funds of the Authority pledged under the 2016 Master Resolution. The State of Alaska is not obligated to pay such principal, interest or premium, if any,

* Preliminary, subject to change.

and neither the faith and credit nor the taxing power of the State is pledged to the payment of the Series 2017A Bonds. The Authority has no taxing power. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

All references herein to agreements and documents are qualified in their entirety by reference to the definitive forms thereof, and all references to the Series 2017A Bonds are further qualified by reference to the provisions with respect thereto contained in

Alaska Municipal Bond Bank Authority

The Authority is a public corporation of the State and an instrumentality of the State established and organized by the Act in 1975 within the State of Alaska Department of Revenue (the “DOR”), initially to assist municipalities in the State by lending money and purchasing bonds (initially general obligations and now including revenue obligations and other debt instruments) issued by municipalities, to assist municipalities in accessing the financial markets. The Act has been modified from time to time, including changes to allow the authority to finance loans for revenue bond issues, to port authorities, for electrical generation projects including hydroelectric projects, to the Alaska Municipal League Joint Insurance Association, to the University of Alaska and, most recently, to joint action agencies and regional health organizations. The bonds issued by the Authority for local government borrowers (which is referred to as the “Bond Bank” in connection with those bonds and loans) are issued primarily pursuant to the 2005 General Bond Resolution, adopted by the Board of Directors of the Authority on July 13, 2005, as amended (the “2005 General Bond Resolution”).

The Authority provides capital funds for the majority of eligible borrowers through loans to such entities and by issuing its bonds and notes to finance such loans under conditions set forth in the Act and the administrative regulations thereunder (Chapter 144 of the Alaska Administrative Code). The Authority generates funds to make such loans primarily by selling bonds on the national market and using the proceeds to purchase bonds from eligible borrowers within the State. Loan payments from Borrowers, including the 2017A Borrower, provide the primary source of funds for payment of principal of and interest on the Bonds, including the Series 2017A Bonds. The Authority is administered by staff that is shared with the DOR. A board of five directors authorizes the Authority’s actions including issuing bonds and approving loans. See “ALASKA MUNICIPAL BOND BANK AUTHORITY.”

Although payments made by Borrowers on their Borrower Bonds are the primary security for the payment of principal of and interest on the Bonds, including the Series 2017A Bonds, the Authority also maintains the 2016 Reserve Fund as additional security for the payment of the Bonds. The Authority is required under the Act to seek annual appropriations from the Legislature to replenish the 2016 Reserve Fund if needed. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – 2016 Reserve Fund.” For information regarding the State of Alaska, see Appendix F – “STATE OF ALASKA.”

PURPOSE OF THE SERIES 2017A BONDS

Authorization

The Series 2017A Bonds are being issued pursuant to the terms of the Bond Resolution, and are the second series of Bonds issued under the 2016 Master Resolution. Under the Act, as most recently amended, the Authority is authorized to make loans to, and to purchase bonds issued by, regional health organizations. A regional health organization is defined under AS 18.28.100 as a nonprofit corporation or home rule borough that provides health aide services under a contract with the Alaska Native Health Service in a rural area that is at least 4,000 square miles. The purpose for loans to be made to regional health organizations under the 2016 Master Resolution is to provide such organizations with access to

capital and to minimize the cost of capital when the Commissioner of Public Health and Social Services of the State anticipates a State financial benefit and an increase in regional quality of care. Under the Act, the Authority may not issue bonds or notes to finance a loan to a regional health organization unless (i) the Authority finances not more than 49 percent of the project; (ii) the remaining costs of the project are secured or delivered to the Authority before the Authority provides financing; and (iii) the bonds or notes issued by the Authority to finance the project do not exceed \$102,500,000 for a single project. The Act also provides that bonds and notes issued to make loans to regional health organizations (other than refunding bonds or notes) may not exceed \$205,000,000. See “DEBT CAPACITY.”

Plan of Finance

The Series 2017A Bonds are being issued to make a loan to Yukon-Kuskokwim Health Corporation (the “2017A Borrower”) (i) to pay, or to reimburse the 2017A Borrower for the payment of, a portion of the costs of designing, constructing and equipping the expansion of the 2017A Borrower’s hospital and designing, constructing and equipping the 2017A Borrower’s primary care clinic in Bethel, Alaska (the “2017A Project”); (ii) to make a deposit to the 2016 Reserve Fund and a deposit to the 2017A Borrower’s Reserve Account held by the Trustee; (iii) to make a deposit to the Capitalized Interest Subaccount and to pay or provide for the payment of the 2017A Borrower’s Allocable Proportion of Authority Reserve Fund Interest Expense during construction; and (iv) to pay a portion of the costs of issuing the Series 2017A Bonds and costs of issuing the 2017A Borrower Bond, all as described herein.

[Brief description of other funding sources.] See “THE 2017A BORROWER AND THE 2017A PROJECT.”

SOURCES AND USES OF FUNDS

The table below sets forth the sources and uses of funds related to the Series 2017A Bonds, rounded to the nearest dollar.

| | |
|----------------------------------|----|
| Sources: | |
| Principal Amount | \$ |
| [Net] Original Issue | |
| Premium/(Discount) | |
| Total Sources | \$ |
| Uses: | |
| Loan to 2017A Borrower | \$ |
| Deposit to 2016 Reserve Fund | |
| Costs of Issuance ⁽¹⁾ | |
| Total Uses | \$ |

(1) Includes Authority and 2017A Borrower costs of issuance such as Underwriters’ discount, legal fees, financial advisory fees, rating agency fees, Trustee fees, accounting, printing and other costs of issuance of the Series 2017A Bonds.

DESCRIPTION OF THE SERIES 2017A BONDS

General Description

The Series 2017A Bonds are issuable only as fully registered bonds, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), securities

depository for the Series 2017A Bonds. Principal of and interest on the Series 2017A Bonds are payable by The Bank of New York Mellon Trust Company, N.A., of San Francisco, California, as Trustee under the 2016 Master Resolution, to DTC which, in turn, is obligated to disburse such principal and interest payments to its participants (the “DTC Participants”) in accordance with DTC procedures. See Appendix H – “DTC AND ITS BOOK-ENTRY SYSTEM.”

Series 2017A Bonds

The Series 2017A Bonds mature, subject to prior redemption, on the dates and bear interest at the rates set forth on the inside cover page of this Official Statement. The Series 2017A Bonds are issuable in denominations of \$5,000 or any integral multiple thereof within a maturity, are dated as of the date of delivery and bear interest from their date payable on [REDACTED] 1 and [REDACTED] 1, commencing [REDACTED] 1, 2017.

Optional Redemption

The Series 2017A Bonds maturing on or after [REDACTED] 1, _____, are subject to redemption in whole or in part at the option of the Authority on any date on or after _____, at a price of 100 percent of the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption. The 2017A Borrower’s Loan has corresponding optional prepayment provisions.

Mandatory Sinking Fund Redemption

The Series 2017A Bonds maturing on [REDACTED] 1, _____, are subject to mandatory sinking fund redemption on [REDACTED] 1 of the years and in the principal amounts set forth in the following table. Any such redemption will be at a price equal to 100 percent of the principal amount to be redeemed plus accrued and unpaid interest thereon to the date fixed for redemption, but without premium.

Series 2017A Bonds Due _____

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
|-------------|-------------------------|

* Maturity.

The Bond Resolution provides that if the Authority redeems a portion of the Series 2017A Term Bonds pursuant to the optional redemption provisions described above or purchases for cancellation or defeases Series 2017A Term Bonds, the Series 2017A Term Bonds so redeemed, purchased or defeased may be credited against one or more of the scheduled mandatory sinking fund redemption amounts of the same maturity in the order directed by the Authority (or if no direction is given, then in a random manner as determined by the Trustee).

Notice and Effect of Redemption

The Bond Resolution provides that at least 20 days, but not more than 60 days, prior to the date upon which any Series 2017A Bonds are to be redeemed, the Trustee is required to mail a notice of redemption to the registered owner (DTC so long as all of the Series 2017A Bonds are held under the DTC book-entry system) of any Series 2017A Bond all or a portion of which is to be redeemed, at the owner’s last address appearing on the registration books of the Authority kept by the Trustee. So long as all of the Series 2017A Bonds are held under the DTC book-entry system, such notice is required to be sent only to DTC, and any notice to the beneficial owners of the Series 2017A Bonds will be the

responsibility of DTC Participants. Neither the Authority nor the Trustee are required to provide redemption notices to the beneficial owners.

The Bond Resolution provides that notice of redemption is required to state that on the redemption date the redemption price will become due and payable on each Series 2017A Bond called for redemption, unless, in the case of optional redemption, money sufficient to redeem the Series 2017A Bonds is not on deposit with the Trustee, and that if sufficient money is on deposit with the Trustee interest thereon will cease to accrue from and after such date. In the case of optional redemptions, the Bond Resolution requires that the notice state that it is a conditional notice and that on the date fixed for redemption, provided that money sufficient to redeem the Series 2017A Bonds specified in the notice, the redemption price will become due and payable and interest thereon will cease to accrue.

The Bond Resolution provides that if at the time of mailing any notice of optional redemption, money sufficient to redeem the Series 2017A Bonds to be redeemed is not on deposit with the Trustee, the notice is required to state that the redemption is subject to the deposit of the redemption money with the Trustee and that the notice will be of no effect unless such money is so deposited.

Selection of Series 2017A Bonds for Redemption

If fewer than all of the Series 2017A Bonds are to be redeemed prior to maturity, the Authority may select the maturity or maturities to be redeemed at the option of the Authority. If, at the time notice of redemption is given the Series 2017A Bonds are in book-entry form, then DTC will select the Series 2017A Bonds for redemption within a maturity in accordance with the Letter of Representations. The Bond Resolution provides that if less than all of the Series 2017A Bonds of any maturity are called for redemption and the Series 2017A Bonds are not in book-entry form, the Series 2017A Bonds to be redeemed are to be selected by lot by the Trustee or in any manner as the Trustee, in its sole discretion, may deem appropriate and fair. See Appendix H – “DTC AND ITS BOOK-ENTRY SYSTEM.”

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are Master Resolution general obligations of the Authority, and the full faith and credit of the Authority are pledged to the payment of the principal or Accreted Value of and premium, if any, and interest on the Bonds, excluding and subject to any agreements theretofore and thereafter made under the 2016 Master Resolution heretofore and hereafter made with the owners of any other notes or bonds or with parties to other agreements of the Authority pledging, any particular revenues or assets not pledged under the 2016 Master Resolution and excluding particular revenues or assets, such as revenues and investments in the Operating Fund and accounts therein, from any pledge. The Bonds issued under the 2016 Master Resolution and any Reimbursement Obligations and Subordinate Obligations incurred under the 2016 Master Resolution are payable solely from the sources provided in and pledged pursuant to the 2016 Master Resolution and any Series Resolution.

Payment of the principal or Accreted Value of and premium, if any, and interest on Bonds issued under the 2016 Master Resolution and payment of Credit Facility Reimbursement Obligations, Reserve Fund Credit Facility Reimbursement Obligations and Subordinate Obligations, in the manner and to the extent provided in the 2016 Master Resolution, are secured by the continuing pledge, assignment and lien made and created pursuant to and in the order provided in the 2016 Master Resolution. The Bonds and such Reimbursement Obligations and Subordinate Obligations are obligations of the Authority payable solely from the sources provided in the 2016 Master Resolution and any Series Resolution.

The State is not liable on the Bonds, including the Series 2017A Bonds, or on any Credit Facility Reimbursement Obligation, Reserve Fund Credit Facility Reimbursement Obligation or Subordinate Obligation, and none of the Bonds and none of such Reimbursement Obligations or Subordinate Obligations will be a debt or liability, or constitute a pledge or loan of the faith and credit, of the State.

The 2017A Borrower is not liable on the Series 2017A Bonds or on any Credit Facility Reimbursement Obligation, Reserve Fund Credit Facility Reimbursement Obligation or Subordinate Obligation, and none of the Series 2017A Bonds and none of such Reimbursement Obligations or Subordinate Obligations will be a debt or liability, or constitute a pledge or loan of the faith and credit, of the 2017A Borrower. The 2017A Borrower is responsible solely for Borrower Payments or Borrower Loan Payments, including Borrower Bond Interest Payments, Borrower Bond Principal Payments, the Borrower's Allocable Portion of Authority Reserve Fund Interest Expense, if any, and any Reimbursement Obligation attributed to the 2017A Borrower.

The Series 2017A Bonds are the second series of Bonds issued under the 2016 Master Resolution. The Authority has other outstanding obligations. See "BONDS OUTSTANDING."

Pledge Effected by the 2016 Master Resolution

The 2016 Master Resolution provides that Borrower Bonds and the Borrower Payments, the investments thereof and the proceeds of such investments, if any, and all funds and accounts established by the 2016 Master Resolution and by any Series Resolution (other than the Rebate Fund) that are to be held by the Trustee are pledged and assigned by the 2016 Master Resolution to the Trustee: first, for the benefit of the Owners of the Bonds and Credit Facility Providers, to secure the payment of the principal or Accreted Value of, premium, if any, and interest on the Bonds and any Credit Facility Reimbursement Obligations; second, for the benefit of Reserve Fund Credit Facility Providers to secure the payment of amounts required to reimburse such Reserve Fund Credit Facility Providers for amounts drawn under Reserve Fund Credit Facilities; and third, for the benefit of owners of Subordinate Obligations, including to secure the payment to Credit Facility Providers of amounts other than Credit Facility Reimbursement Obligations and to secure payments to Reserve Fund Credit Facility Providers of amounts other than payments of Reimbursement Obligations; in each case in accordance with the 2016 Master Resolution and applicable Series Resolutions and subject only to the lien of the Trustee on funds held by the Trustee under the 2016 Master Resolution and subject to other provisions of the 2016 Master Resolution and Series Resolutions permitting the application of proceeds under the 2016 Master Resolution. The foregoing notwithstanding, the 2017A Borrower's payment obligations under the 2017A Borrower Bond and the 2017A Loan Agreement are in amounts and at times sufficient to pay principal and interest on the Series 2017A Bonds and to pay its Allocable Proportion of any Authority Reserve Fund Interest Expense as long as the 2017A Borrower Bond remains Outstanding, and, upon making all such payments, the 2017A Borrower will have no further payment obligations regardless of the status of any Bonds or other indebtedness outstanding under the 2016 Master Resolution or any Series Resolution. See "2017A Borrower Obligations" below.

The 2016 Master Resolution also provides that the pledge described in this section will be valid and binding from and after the date of adoption of the 2016 Master Resolution, and the Borrower Bonds and the Borrower Payments and all other money and securities in the funds and accounts established by the 2016 Master Resolution and Series Resolutions (other than any Rebate Fund) that are to be held by the Trustee and pledged under the 2016 Master Resolution are immediately subject to the lien of such pledge without any further act, and that such lien is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, regardless of whether such parties have notice of such lien.

Borrower Bonds

Under the provisions of the Act and the 2016 Master Resolution, the Authority is authorized to purchase Borrower Bonds from any Borrower authorized under the Act. The 2016 Master Resolution defines Borrower Bonds as “general obligation bonds, revenue bonds, notes or other evidences of indebtedness issued by any Borrower that have been or that will be acquired by the Authority as evidence of, and to secure repayment by [a] Borrower of, a Loan to such Borrower pursuant to the Act.”

For each issue of Borrower Bonds, including the 2017A Borrower Bond, the 2016 Master Resolution requires a borrower’s counsel’s opinion stating that (i) such Borrower Bonds are valid obligations of such Borrower as required by the Act and (ii) a Loan Agreement has been duly authorized and executed between the Authority and the Borrower that constitutes a valid and binding obligation of the Borrower.

The 2016 Master Resolution requires that each Loan Agreement obligate the Borrower to (i) make interest payments on its Borrower Bond sufficient in amount and at such times to provide the Authority funds to meet interest payments on its Loan Obligations as they become due; and (ii) make principal payments on its Borrower Bond sufficient in amount and at such times to provide the Authority funds to meet principal payments on its Loan Obligations as they become due (defined in the 2016 Master Resolution as “Borrower Payments”). See Appendix E – “FORM OF 2016 MASTER RESOLUTION – Section 910 – Loan Agreement Provisions.” Pursuant to its Loan Agreement, each Borrower is required to pay its Allocable Proportion of Authority Reserve Fund Interest Expense and also may be required to pay fees and charges to the Authority to meet the Borrower’s allocable portion of certain expenses, including the portion of any Reserve Fund Credit Facility Reimbursement Obligation attributed to the Borrower. Each Loan Agreement also contains restrictions on the sale or redemption of the Borrower’s Borrower Bond.

Debt Service Fund

The 2016 Master Resolution establishes a Debt Service Fund and three accounts therein—the Principal Account, the Interest Account and the Redemption Account—for the purpose of paying debt service on all Bonds issued under the 2016 Master Resolution. The Trustee is required to deposit Borrower Interest Payments and any other money available for the payment of interest in the Interest Account upon receipt thereof. The Trustee is required, on or before each Interest Payment Date and on each date fixed for redemption, to withdraw from the Interest Account and to pay, or provide for the payment of, interest then due on the Bonds, and such amounts so withdrawn are irrevocably pledged under the 2016 Master Resolution for and are required to be applied to the payment of such interest.

The Trustee is required to deposit Borrower Principal Payments and any other money available for the payment of principal or Accreted Value in the Principal Account, upon receipt thereof. On or before each principal payment date for Outstanding Bonds, including any mandatory sinking fund redemption date for term Bonds, the Trustee is required to pay or provide for the payment, the principal or Accreted Value then due, whether at maturity or upon mandatory sinking fund redemption, and such amounts so withdrawn are irrevocably pledged under the 2016 Master Resolution for and are required to be applied to the payment of such principal, Accreted Value and mandatory sinking fund redemption payments.

The Trustee is required to establish in the Redemption Account a separate subaccount for the Bonds of each Series Outstanding. Money in the Redemption Account subaccounts is required to be used for the purchase or retirement of Bonds allocable to the respective subaccounts.

2016 Reserve Fund

The Alaska Municipal Bond Bank Reserve Fund (the “Statutory Reserve Fund”) was created by Section 44.85.270 of the Act. The Series 2016 Master Resolution establishes a “Reserve Account” within the Statutory Reserve Fund (the “2016 Reserve Fund”). The 2016 Reserve Fund is separate from the reserve accounts established within the Statutory Reserve Fund pursuant to the 2005 General Bond Resolution and the 2010 Master Bond Resolution. The 2016 Reserve Fund is a common reserve and is available to secure all Bonds issued and secured under the 2016 Master Resolution, but does not secure the payment of bonds issued under the 2005 General Bond Resolution, the 2010 Master Bond Resolution or any other resolution. The 2016 Reserve Fund is to be held by the Trustee and maintained at an amount equal to the Reserve Fund Requirement. The “Reserve Fund Requirement” is equal to the least of the following: (i) 10 percent of the initial principal amount of each Series of Bonds then Outstanding; (ii) Maximum Annual Debt Service with respect to all Bonds Outstanding; (iii) 125 percent of average Annual Debt Service with respect to all Bonds Outstanding; and (iv) such lower amount as may be required by law.

As of June 30, 2016, the valuation of assets in the 2016 Reserve Fund was approximately \$[REDACTED] million, an amount sufficient to satisfy the Reserve Fund Requirement. As of that date, all of the Reserve Fund Requirement was funded with a surety policy (the “Debt Service Reserve Fund Surety Bond”) from National Public Finance Guarantee Corporation (“National”). See “Debt Service Reserve Fund Surety Bond” below. The Authority expects to satisfy the increase in the Reserve Fund Requirement resulting from the issuance of the Series 2017A Bonds through [REDACTED]

On or before the first day of each month, the Trustee is required to set aside from amounts in the 2016 Reserve Fund derived from Borrower Payments, and if such Borrower Payments are not sufficient, then from income or interest earned and profits realized by the 2016 Reserve Fund due to the investment thereof or other amounts made available by the Authority, an amount that, when added to the amounts theretofore set aside for such purpose and not paid into the Interest Account, on such day is equal to the unpaid interest on the 2016 Reserve Fund Obligations accrued and to accrue to the last day of such month. If the Authority directs, such amounts may be deposited in the Authority Reserve Fund Obligations Interest Account in the 2016 Reserve Fund. On or before each interest payment date of the Authority Reserve Fund Obligations, such amounts are required to be deposited in the Interest Account.

On or before each date on which the principal or Accreted Value of Authority Reserve Fund Obligations is due, either at maturity or on a mandatory sinking fund redemption date, the Trustee is required to withdraw from amounts in the 2016 Reserve Fund and deposit in the Principal Account an amount that, when added to the amount then on deposit in the Principal Account and derived from sources other than Borrower Payments, is equal to the principal amount of the Authority 2016 Reserve Fund Obligations due on such date.

On or before June 30 of each year, after satisfying the deposit requirements described above and in addition to withdrawals permitted when the amount on deposit in the 2016 Reserve Fund exceeds the Required Debt Service Reserve under the 2016 Master Resolution, the Trustee is required to withdraw from the 2016 Reserve Fund any amount remaining in the 2016 Reserve Fund derived from investment earnings or profits due to investments of amounts in the 2016 Reserve Fund and to pay over such amount to the Authority for deposit in the Custodian Account, but only to the extent that there remains after such withdrawal an amount in the 2016 Reserve Fund, including the face amount of Reserve Fund Credit Facilities, at least equal to the Required Debt Service Reserve.

The Reserve Fund Requirement may be satisfied with (i) money made available by the State and paid or delivered to the Authority for the purpose of the Statutory Reserve Fund in the amount provided

by a Series Resolution; (ii) all money paid to the Authority pursuant to the Act for the purpose of restoring the 2016 Reserve Fund to the amount of the Required Debt Service Reserve; (iii) such portion of the proceeds of sale of Bonds, if any, as provided by any Series Resolution; (iv) one or more of the following: a letter of credit, line of credit, credit facility, surety bond, bond insurance or any other instrument or arrangement obtained in connection with the issuance of a Series of Bonds (further defined in the 2016 Master Resolution as a “Reserve Fund Credit Facility”); (v) money transferred by the Authority from the Authority’s Custodian Account; (vi) any money made available to the Authority for deposit to the 2016 Reserve Fund from any other source or sources; or (vii) any combination of the foregoing.

Upon failure of a Borrower to make any principal or interest payment when due pursuant to its Loan Agreement and in any event if on the seventh day before principal or interest is due on Bonds, the amount on deposit in the applicable Debt Service Account is not sufficient to make such payment on the principal or interest payment date, the Trustee is required to notify the Executive Director immediately and the Executive Director is required to take, or to direct the Trustee to take, the actions described below under “*Replenishment Commitment; Moral Obligation of State Legislature.*”

If on any Interest Payment Date or principal payment date (whether a maturity date or a mandatory sinking fund redemption date) a deficiency in the Interest Account or in the Principal Account exists, the Trustee is required to make up such deficiency or deficiencies from the 2016 Reserve Fund by the withdrawal of cash therefrom for that purpose and by the sale or redemption of securities held in the 2016 Reserve Fund, if necessary, in such amounts as will, on or before such payment date, provide money for deposit to the Interest Account and/or the Principal Account, as applicable, sufficient to make up any such deficiency. If a deficiency still exists immediately prior to a debt service payment date and after the withdrawal of cash and securities, the Trustee then is required to draw from any Reserve Fund Credit Facility (*pro rata*, in proportion to the maximum available amount, if there is more than one Reserve Fund Credit Facility for the Bonds) in sufficient amount to make up such difference. Such draws are required to be made at the times and under the conditions required by the Reserve Fund Credit Facilities.

Debt Service Reserve Fund Surety Bond. The Debt Service Reserve Fund Surety Bond provides that upon notice from the Paying Agent to National to the effect that insufficient amounts are on deposit in the Debt Service Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, National will promptly deposit with the Paying Agent an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by National of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Paying Agent; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Paying Agent to National, National will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by National with the Paying Agent that have not been reimbursed by the Authority. The Authority and National have entered into a Financial Guaranty Agreement pursuant to which the Authority is required to reimburse National, with interest, within one year of any deposit, the amount of such deposit made by National with the Trustee under the Debt Service Reserve Fund Surety Bond.

Replenishment Commitment; Moral Obligation of State Legislature. Section 44.85.270 of the Act and the 2016 Master Resolution require the Authority to deliver a statement to the Governor and the State Legislature annually, before January 30, stating the amount, if any, necessary to restore the 2016

Reserve Fund to the Required Debt Service Reserve resulting from a draw on the 2016 Reserve Fund at any time during the prior year. The State Legislature may, but is under no legal obligation to, appropriate money sufficient to restore the 2016 Reserve Fund to the Reserve Fund Requirement. The Authority has never reported a deficiency in any of the reserve funds held by the Authority.

Even though there has never been a deficiency in reserve funds held by the Authority, the Authority has, since 2009, requested an appropriation every year, and the State has included in its operating budget an appropriation to replenish the Statutory Reserve Fund (in the event of a failed Borrower payment), if necessary, and an appropriation of earnings, after operating expenses, on funds appropriated to the Authority by the State Legislature to the Custodian Account rather than to the State's General Fund as the Act otherwise would require. The State is not obligated, legally or otherwise, to include this appropriation in its annual operating budget. The Authority's annual obligation to submit to the State a budget request for an appropriation is in addition to the Authority's obligation to seek an appropriation in the event of a deficiency in the 2016 Reserve Fund to restore the amount in the Required Debt Service Reserve as described below.

2017A Borrower Obligations

2017A Borrower; 2017A Loan Agreement. The 2016 Master Resolution establishes minimum requirements for each loan ("Loan") made thereunder, and the Authority enters into a loan agreement with each Borrower with respect to its Loan. With respect to the Series 2017A Bonds, the 2017A Borrower is executing a Loan Agreement (the "2017A Loan Agreement") and executing its Borrower Bond (the "2017A Borrower Bond") to evidence its obligations under the 2017A Loan Agreement. Under the 2017A Loan Agreement, the 2017A Borrower's obligation to repay the loan of money from the Authority (the "2017A Loan") is special revenue obligation of the 2017A Borrower, payable solely from the Trust Estate pledged and assigned under the Master Security Documents described herein.

The payment obligations of the 2017A Borrower under the 2017A Loan include its portion of interest accrued or to accrue on the principal of Reserve Fund Obligations and/or the premium and other costs of obtaining one or more Reserve Fund Credit Facilities ("Authority Reserve Fund Interest Expense"), if any, and the portion of any Reserve Fund Credit Facility Reimbursement Obligation (the Authority's obligation to reimburse a Reserve Fund Credit Facility Provider for amounts drawn under the Reserve Fund Credit Facility to pay debt service on Series 2017A Bonds, together with interest on such amount) attributed to the 2017A Borrower. The 2017A Borrower is required to pay, and make deposits for the payment of, such 2017A Borrower Payments (the amounts paid or required to be paid, from time to time, for principal and interest by the 2017A Borrower to the Authority on its 2017A Borrower Bond, plus the 2017A Borrower's Allocable Proportion of Authority Reserve Fund Interest Expense, if any, and the amount, if any, required to pay or to reimburse the Authority for the payment of a Reserve Fund Reimbursement Obligation and/or Credit Facility Reimbursement Obligation attributed to the 2017A Borrower, together with interest thereon), including such 2017A Borrower's Allocable Portion of Authority's Interest Expense and such Reimbursement Obligation, if any, before any other costs and expenses are paid.

Master Security Documents. To secure its obligations under the 2017A Loan Agreement, the 2017A Borrower is required to (i) enter into a Master Trust Indenture (the "Master Trust Indenture") with [____], as master trustee (the "Master Trustee"); (ii) execute and deliver, as grantor, a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the "Deed of Trust"), for the benefit of the Master Trustee, encumbering the property constituting the 2017A Project; and (iii) enter into a Security Agreement (the "Security Agreement") with the Master Trustee granting a security interest in certain collateral. Pursuant to the Master Trust Indenture, the 2017A Borrower is to pledge and assign to the Master Trustee the Trust Estate, which is to consist principally of (i) all of the revenues and accounts that

the 2017A Borrower derives from providing health care services and the proceeds thereof, excluding all proceeds paid or payable by the Indian Health Service and all State or federal grants (“Patient Revenues and Accounts”) and the investments and earnings from the investment thereof, all net insurance and condemnation proceeds of the property constituting the 2017A Project, and all rents, issues and profits of the property constituting the 2017A Project; (ii) all funds and accounts created under the Master Trust Indenture, subject to the provisions of the Master Trust Indenture permitting the application thereof for the purposes and on the terms and conditions as set forth therein; and (iii) the lien against and security interest in the property constituting the 2017A Project and all proceeds under the Deed of Trust and in property under the Security Agreement. The 2017A Borrower is to issue Obligation No. 1, which constitutes the 2017A Borrower Bond, pursuant to a First Supplemental Indenture between the 2017A Borrower and the Master Trustee. The Master Trust Indenture, the First Supplemental Indenture, the Security Agreement, the Deed of Trust and the Parity Agreement described herein are referred to collectively as the “Master Security Documents.”

The amounts to be paid by the 2017A Borrower pursuant to the 2017A Loan Agreement and the Master Security Documents representing Borrower Bond Payments, including Borrower Bond Interest Payments, Borrower Bond Principal Payments, the Borrower’s Allocable Portion of Authority’s Interest Expense, if any, and the portion of any Reimbursement Obligation attributed to the 2017A Borrower, are payable from and secured on a parity with the USDA Loan described herein and other Obligations issued under the Master Trust Indenture, by the 2017A Borrower’s pledge, grant and assignment (i) to the Master Trustee of a first-priority security interest in and lien on the Trust Estate, and (ii) to the Trustee, a first priority security interest in and lien on amounts on deposit with the Trustee in the Borrower Debt Service Subaccount and the Borrower Reserve Account.

Pursuant to a Parity Agreement among USDA, the 2017A Borrower and the Master Trustee (the “Parity Agreement”), (i) the Master Trustee and USDA are to share on a pro rata basis in all real property and personal property described in security documents relating to the Obligations (including the Deed of Trust and the Security Agreement) and the USDA Loan in which both the Master Trustee and USDA a security interest, including the Revenue Fund to held by the Master Trustee under the Master Trust Indenture, and (ii) the liens of each such security document are to be in parity one with the other as joint record liens.

Deposit and Use of Patient Revenues and Accounts. Under the Master Trust Indenture, the 2017A Borrower is required to deposit Patient Revenues and Accounts, and the investments thereof and earnings thereon, as collected, in the Revenue Fund established by the Master Trustee. The Master Trustee is to make monthly disbursements from the Revenue Fund only for the following purposes and in the following order of priority:

First, upon an event of default, but only upon an event of default, to pay fees and expenses of the Master Trustee;

Second, with each payment obligation described in this paragraph being on a parity with all other such payment obligations, with all such payments to be made on a pro rata basis if funds are not available for their payment in full, to make monthly payments (i) to USDA in an amount equal to the next monthly principal and interest payment due on the USDA Loan; (ii) for the payment of Obligations issued under the Master Indenture (including Obligation No. 1 that constitutes the 2017A Borrower Bond), the amount necessary to make monthly interest payments due on the outstanding Obligations to the extent that there is no capitalized Interest that is available to make such payments and monthly principal payments; (iii) as required to satisfy any credit facility reimbursement obligations; and (iv) to cure any deficiency in any amount previously payable as described in clauses (i) through (iii) above;

Third, to make all payments required to be made into any reserve account established under the Master Trust Indenture or in connection with the USDA Loan, and to satisfy any reserve fund credit facility reimbursement obligations;

Fourth, to make all payments required to be made into any other fund or account created to pay or secure the payment of the principal of and interest on any Subordinated Indebtedness; and

Fifth, to pay fees and expenses of the Master Trustee, and then, but only if there are no deficiencies in payments for *First*, *Second*, *Third* or *Fourth* purposes, to the 2017A Borrower for use without restriction for any lawful purposes of the 2017A Borrower.

Issuance of Obligations Under the Master Trust Indenture. The 2017A Borrower is permitted to issue Obligations to pay the costs of designing, acquiring, renovating, equipping and constructing the 2017A Project in an aggregate principal amount not to exceed \$[_____] (excluding Completion Obligations in an aggregate principal amount that may not exceed 10 percent of such amount). The maximum authorized principal amount is to be reduced by the principal amount of the USDA Loan, if any. The 2017A is not permitted to incur any additional Obligations or Subordinated Indebtedness other than:

- (a) Obligations that will be retired and discharged with the proceeds of the USDA Loan, or with the proceeds of other obligations issued in lieu of the USDA Loan or any part thereof;
- (b) Obligations, for which at the time of issuance, Income Available for Debt Service divided by Debt Service Requirements is not less than 1.10, and Income Available for Subordinated Debt Service divided by Subordinated Debt Service Requirements is not less than 1.00, and either (i) pursuant to a Consultant's report, for each of the next two succeeding fiscal years (or the first two full fiscal years succeeding the projected completion date), (A) projected Income Available for Debt Service divided by the Maximum Annual Debt Service Requirement for the Obligations and the USDA Loan expected to be outstanding is not less than 1.10, and (B) projected Income Available for Subordinated Debt Service divided by the Maximum Annual Debt Service Requirement for Subordinate Indebtedness expected to be outstanding is not less than 1.00; or (ii) without a Consultant's report, (A) projected Income Available for Debt Service divided by the Maximum Annual Debt Service Requirement for the Obligations and the USDA Loan expected to be outstanding is not less than 1.20, and (B) projected Income Available for Subordinated Debt Service divided by the Maximum Annual Debt Service Requirement for Subordinate Indebtedness expected to be outstanding is not less than 1.00.
- (c) Upon satisfaction of certain conditions, Completion Obligations in an aggregate principal amount that do not exceed 10 percent of the principal amount of the 2017A Bonds;
- (d) Certain refunding Obligations;
- (e) Subject to certain limitations, certain Obligations that constitute Short-Term Indebtedness;
- (f) Upon satisfaction of certain conditions, Balloon Indebtedness, Put Indebtedness, Adjustable Indebtedness, so long as the conditions described in clause (b) above are met; and

- (f) Subject to certain limitations, certain Subordinate Indebtedness.

If the payments required to be made by the 2017A Borrower under the 2017A Loan Agreement are not made available by the times specified in the 2017A Loan Agreement, the Authority, to the extent permitted by law and by the terms of the applicable grants, may notify the appropriate officer of each State agency that provides or administers grants to the 2017A Borrower and seek to intercept funds under such State grants and to the extent intercepted, such State grant funds are required to be applied first to the payment of 2017A Borrower Payments then due. There are no funds identified for intercept at this time.

Additional Financial Covenants Under the 2017A Loan Agreement. Under the 2017A Loan Agreement, the 2017A Borrower covenants with the Authority that the 2017A Borrower will maintain at least 50 Days Cash on Hand to be tested and reported to the Authority on a semiannual basis as of each March 31 and September 30, commencing September 30, 2017. “Days Cash On Hand” means, as of any date, the amount derived by dividing (i) Unrestricted Cash and Investments by (ii) Days of Operating Expenses. “Days of Operating Expenses” means operating expenses, excluding depreciation and amortization, extraordinary, nonrecurring expenses, non-cash items such as unrealized gains or losses and expenses resulting from a refunding transaction and costs of issuance related thereto, divided by the number of days in the applicable period. In the event Cash on Hand is less than 50 Days Cash on Hand on a March 31 or September 30, the 2017A Borrower is required to retain an independent consultant to make recommendations to the 2017A Borrower regarding improvement of the 2017A Borrower’s liquidity position and is required to use its best efforts to follow and implement the recommendations of the independent consultant.

The 2017A Borrower is also required to maintain a Debt Service Coverage Ratio of at least 1.25 to 1.0 and a Total Coverage Ratio of at least 1.10 to 1.0, each tested annually as of the end of each fiscal year of the 2017A Borrower.

“Debt Service Coverage Ratio” means for any specified period the ratio achieved by dividing Net Revenues by Debt Service payable or for which deposits are required to be made for such period. “Net Revenues” means General Revenues, less operating expenses, excluding depreciation and amortization; interest expense; extraordinary, nonrecurring expenses; non-cash items such as unrealized gains and losses and expenses resulting from a refunding transaction and costs of issuance related thereto. “General Revenues” means all Patient Revenues and Accounts and all investments thereof, excluding Revenues and gifts, grants, devises, bequests and contributions of any and all types (i) designated by the maker to a specific purpose inconsistent with their use or (ii) unavailable under applicable law, in either case to pay debt service on indebtedness. “Debt Service” means the aggregate amount required during a specified period to pay or to make deposits for the payment of (i) the principal of, premium if any and interest on the 2017A Borrower Bond, any other Obligations and the USDA Loan, (ii) the Borrower’s Allocable Proportion of Authority Reserve Fund Interest Expense and (iii) the amount required to be deposited to the Borrower Reserve Account and/or to pay any Reimbursement Obligations attributed to the Borrower (other than in each case amounts required to be paid or deposited from proceeds received from the sale of the USDA Loan or such Obligations).

“Total Coverage Ratio” means for any specified period the ratio achieved by dividing Net Revenues by (i) Debt Service, plus (ii) amounts to be paid on the City of Marshall Loan, plus the amounts required to be deposited (other than from the proceeds of Subordinated Indebtedness) to any fund or account held by or for the Master Trustee for the payment of the Subordinated Indebtedness issued under the Master Trust Indenture.

If the 2017A Borrower's Debt Service Coverage Ratio is less than 1.25 or if the Total Coverage Ratio is less than 1.10 to 1.0, the 2017A Borrower is required to retain an independent consultant to make recommendations regarding improvement of the 2017A Borrower's Debt Service Coverage Ratio.

The 2017A Borrower is not permitted to issue or incur indebtedness that is payable from, or secured by a claim to or a pledge of or lien on, the Trust Estate pledged under the Master Trust Indenture (including the Patient Revenues and Accounts) that is prior to the claim, pledge and lien of the 2017A Borrower Bond and other Obligations. Except as permitted in the Parity Agreement, the 2017A Borrower is not permitted to issue any indebtedness the maturity or payment of which can be accelerated if the 2017A Borrower Bond has not been accelerated.

The 2017A Borrower is permitted to issue Obligations under the Master Trust Indenture only with (i) a certificate confirming that for the most recent 12-month period for which audited financial statements are available, the Borrower's Debt Service Coverage Ratio was not less than 1.25 and the Borrower's Total Debt Service Coverage Ratio was not less than 1.10; or (ii) a certificate of an independent consultant that, during any year in which the USDA Loan and the Obligations, including the Obligations then to be issued, are scheduled to be Outstanding, (A) the ratio achieved by dividing Net Revenues for such year by maximum annual Debt Service will not be less than 1.50 and (B) the ratio achieved by dividing Net Revenues for such year by maximum annual Debt Service plus maximum annual debt service scheduled to be paid on the City of Marshall Loan and any Subordinated Indebtedness (other than from the proceeds of Subordinated Indebtedness) will not be less than 1.25.

2017A Borrower Reserve Account. The 2017A Borrower is required by the 2017A Loan Agreement to deposit with the Trustee for maintenance in a separate reserve account ("2017A Borrower Reserve Account"), at the time of the 2017A Loan funding, the 2017A Borrower's debt service reserve requirement in an amount equal to the least of (i) maximum annual debt service on the 2017A Borrower Bond, (ii) 125 percent of average annual debt service on the 2017A Borrower Bond and (iii) 10 percent of the initial principal amount of the 2017A Borrower Bond, to secure payment of principal and interest on the 2017A Borrower Bond.

[Describe provisions of Reserve Depositary Agreement.]

Events of Default Under the 2017A Loan Agreement. The following constitute events of default under the 2017A Loan Agreement: (i) the 2017A Borrower fails to make any payment when due on the 2017A Borrower Bond or on any other Obligation or on the USDA Loan; (ii) the 2017A Borrower fails to pay any 2017A Borrower Payment (other than a 2017A Borrower Payment referred to in clause (1)) or to make a required deposit to the 2017A Borrower Reserve Account; (iii) an "Event of Default" under the Master Trust Indenture or any other Master Security Document; (iv) Days Cash on Hand is less than 50 days for a fiscal year of the 2017A Borrower; (v) the 2017A Borrower fails to observe any of its other financial covenants in the 2017A Loan Agreement; (vi) the 2017A Borrower fails to observe any other covenant (other than a covenant relating to ongoing disclosure obligations) and if curable such failure continues for a period of 60 days (or 90 days if the default is curable but is not curable within 60 days and the 2017A Borrower has undertaken to cure such default) after written notice of such failure is given by the Authority or the Trustee; or (vii) certain bankruptcy or insolvency events occur.

Custodian Account. Money not held by the Trustee in the 2016 Reserve Fund or in reserves for bonds issued under other bond resolutions is maintained by the Authority primarily in an account that acts as the Operating Fund referred to as the Custodian Account (the "Custodian Account"). The Custodian Account is not pledged to the repayment of the Bonds. The Custodian Account contains funds attributable to both State appropriations as well as funds that were not appropriated by the State, and current year investment earnings not held by the Trustee or pledged to the payment of the Bonds. The funds that were

not appropriated as prior year retained earnings are not subject to the statutory annual earnings transfer, and current year investment earnings and as with the Operating Account is not held by the Trustee or pledged to the payment of the Bonds. As of June 30, 2016 the value of the Custodian Account was \$[REDACTED]. As operational expenses are realized, funds are transferred from the Custodian Account to the checking account. As of June 30, 2016, the value of the checking account was \$[REDACTED].

The Act requires that any earnings net of operating expense on funds directly appropriated by the State to the Authority be transferred to the State in the following fiscal year. Starting in fiscal year 2009, through the current fiscal year 2016, all fiscal year earnings due to the State's general fund by statute have been appropriated to the Authority's Custodian Account. The State Legislature may, but is under no legal obligation to, appropriate statutory earnings back to the Authority. The entire Custodian Account balance is available for appropriation by the State Legislature, with a majority vote and the Governor's concurrence or a three-quarter majority vote to overcome a Governor's veto of the appropriation, during any Legislative session. The Legislature has not appropriated funds out of the Custodian Account for non-Authority related purposes in the current, or any prior, fiscal year.

Pledge and Agreement of the State

In the Act, the State has pledged and agreed with the holders of the Bonds that it will not limit or restrict the rights vested in the Authority by the Act to, among other things, purchase, hold and dispose of Borrower Bonds and fulfill the terms of an agreement (including the 2016 Master Resolution) made by the Authority with such holders, or in any way impair the rights or remedies of such holders until the Bonds, including interest on the Bonds and interest on unpaid installments of interest and all costs and expenses in connection with an action or proceeding by or on behalf of such holders, are fully met, paid and discharged.

ALASKA MUNICIPAL BOND BANK AUTHORITY

Organization

The powers of the Authority are vested in the Board. The membership of the Board consists of five Directors: the Commissioners of the DOR and the Department of Commerce, Community and Economic Development of the State and three Directors appointed by the Governor. The three appointees serve four-year staggered terms and must be qualified voting residents of the State. The Commissioners of the DOR and the Department of Commerce, Community and Economic Development may appoint delegates to serve in their absence.

The Act requires the Board in the first meeting of each fiscal year to elect one of the Directors as chair and one of the Directors as vice-chair and also to elect a secretary and a treasurer, who need not be Directors. Action may be taken and motions and resolutions adopted by the Board at any meeting by the affirmative vote of at least three Directors. The Directors appoint an Executive Director and a Finance Director to manage the business of the Authority.

Board of Directors

The members of the Board are listed below.

Mark Pfeffer – Chair. Term expires July 15, 2017. Mr. Pfeffer was originally appointed to the Board on October 10, 2001. Mr. Pfeffer is a registered architect who owns an architectural practice in Anchorage, Alaska. He is active in the development, design and management of commercial real estate

projects, many of which include public/private partnerships. He is President of Pfeffer Development, LLC. Mr. Pfeffer received a Bachelor of Architecture Degree from the University of Nebraska.

Gregory Gurse – *Vice Chair*. Term expires July 15, 2018. Mr. Gurse was originally appointed to the Board on June 22, 2009. Mr. Gurse became President of Benefit Brokers, Inc. in 2001, after working as Vice President of Investments for Wedbush Morgan Securities for 11 years. Mr. Gurse also serves as a FINRA industry arbitrator in both civil and industry arbitration cases. After graduating from the University of Alaska Anchorage with a degree in finance, Mr. Gurse became involved with the University of Alaska Foundation. He served as the first Chairman of the UAA College of Fellows, served as a Trustee to the UA Foundation, and was a member of the Investment Committee to the UA Foundation. Mr. Gurse has served on both the State of Alaska Dental Examiner's Board and the U.S. Treasury Department's Taxpayer Advocacy Panel. He has served on the Investment Commission for the Municipality of Anchorage and several other local boards.

Luke Welles – *Member*. Term expires July 15, 2019. Mr. Welles was originally appointed to the Board on May 21, 2008. Mr. Welles became Vice President of Finance of the Arctic Slope Native Association, Ltd in 2011. Prior to his current job he served as Chief Financial Officer of LifeMed Alaska, LLC, which provides medivac services in Alaska. Previously, Mr. Welles was the Chief Financial Officer for Yukon-Kuskokwim Health Corporation (the 2017A Borrower), which administers healthcare in 52 rural communities, including a hospital located in Bethel, Alaska. He has management experience in healthcare, civil construction and commercial real estate. Over the past 15 years he has served on several economic development commissions in the State, as a city council member in Homer, Alaska and on multiple boards. Mr. Welles received a Bachelor of Arts Degree in Foreign Service and International Business from Baylor University.

Michael Lamb – *Member*. Mr. Lamb is the first delegate for Chris Hladick, Commissioner of the Department of Commerce, Community and Economic Development. Mr. Lamb is a certified public accountant with more than 25 years' experience as a chief financial officer and has worked in private, public, and governmental financial management positions. He serves as the chief financial officer for the Alaska Industrial Development and Export Authority and the Alaska Energy Authority. Prior to that, for almost 15 years Mr. Lamb was the chief financial officer for the Fairbanks North Star Borough, Alaska. For almost 9 years, prior to the Borough, he was the chief financial officer for the City of St. Paul, Alaska. Mr. Lamb is a graduate of the University of Washington School of Business with a Bachelor of Arts in Business Administration, with an emphasis in accounting.

Pamela Leary – *Member*. Ms. Leary is the first delegate for Randall Hoffbeck, Commissioner of the Department of Revenue. She is the Director of the Department of Revenue – Treasury Division and serves as the State Treasurer. She previously served in the Department of Revenue as State Comptroller from 2007 through 2013. Ms. Leary began her career as an auditor with Price Waterhouse and became a partner in the firm PricewaterhouseCoopers, LLP. After moving to Alaska, Ms. Leary owned and operated a business before reentering the accounting profession with the Alaska Permanent Fund Corporation. She holds a bachelor's degree in economics from the Wharton School, University of Pennsylvania, and is a certified public accountant in the State of Alaska.

Management

The Authority is a public corporation of the State of Alaska established and organized within the DOR in 1975. Following creation, the Authority was independently staffed by a full time Executive Director, full-time Secretary, and additional short-term staff and maintained separate offices in Anchorage, Alaska. The Legislature determined in 1997 that the operation and management responsibility for the Authority would be incorporated into the duties of existing Department of Revenue – Treasury

Division staff. This resulted in the partial delegation of the State's Debt Manager to the Authority. Staffing was augmented in 2013 when the Department of Revenue – Treasury Division Operations Research Analyst position was partially delegated to the Authority.

Deven J. Mitchell, who also serves as State Debt Manager and Investment Officer in the Department of Revenue – Treasury Division, with responsibility for the management of all debt of the State, was appointed Executive Director of the Authority in 1999. Mr. Mitchell has worked for the Department of Revenue since 1992. He previously held several positions in Alaska financial institutions. Mr. Mitchell holds a Bachelor of Science Degree in Business Administration from Northern Arizona University. He serves as board member and chairman of the Wildflower Court Nursing Home.

Ryan S. Williams, who also serves as Operations Research Analyst in the Department of Revenue – Treasury Division, was appointed Finance Director of the Authority in 2014. Mr. Williams has worked for the Department of Revenue since 2009. Mr. Williams holds a Bachelor of Science Degree in Business Administration from the University of Southern California, with a concentration in International Business.

The Authority contracts in the private sector for a wide range of professional services. The Executive Director and Finance Director coordinate the activities of these professionals, which include bond counsel, municipal advisor, accountants, auditors, fund trustees, bond trustees, arbitrage rebate consultants and investment managers.

BONDS OUTSTANDING

The total amount of Authority bonds and notes outstanding at any one time may not exceed \$1,792.5 million, consisting of statutory authorizations of: \$87.5 million for the University of Alaska, \$205 million for regional health organizations (including the 2017A Borrower) and \$1,500 million for all other authorized purposes. As of [REDACTED], the total principal amount of Authority bonds and notes outstanding, not including the Series 2017A Bonds, was \$[REDACTED].

Under the provisions of the Act, within the limitations described above, the Authority may issue additional Series of Bonds under the 2016 Master Resolution and, subject to certain additional limitations, may issue bonds under other resolutions. The Authority currently has bonds outstanding under the following resolutions.

2016 Master Resolution

Bonds issued under the 2016 Master Resolution are general obligations of the Authority, payable solely from the sources provided in and pledged pursuant to the 2016 Master Resolution and the related Series Resolutions. As of [REDACTED], the Authority has issued \$44,135,000 of Bonds under the 2016 Master Resolution (not including the Series 2017A Bonds), all of which remain outstanding. The Authority expects to continue to use the 2016 Master Resolution as the primary means of financing loans to regional health organizations.

2005 General Bond Resolution

The Authority has issued 37 series of bonds under the 2005 General Bond Resolution for the benefit of governmental entities in the State. As of [REDACTED], the Authority has issued \$[REDACTED] of general obligation bonds under the 2005 General Bond Resolution, \$[REDACTED] of which remains outstanding. Bonds may be issued by the Authority pursuant to the 2005 General Bond Resolution only to finance loans to governmental entities that were eligible for such assistance as of July 13, 2005. The Authority expects to

continue to use the 2005 General Bond Resolution as the primary means of financing loans to those borrowers.

2010 Master Bond Resolution

Bonds issued under the Municipal Obligation Bond Resolution (the “2010 Master Bond Resolution”) are general obligations of the Authority, equally and ratably secured by a pledge and assignment of all obligations acquired by the Authority under the 2010 Master Bond Resolution. As of [REDACTED], the Authority has issued \$4,765,000 of bonds under the 2010 Master Bond Resolution, \$[REDACTED] of which remain outstanding. The Authority has no plans at this time to issue additional bonds under the 2010 Master Bond Resolution.

Coastal Energy Impact Program

In the 1980s, the Authority privately placed conduit bonds with the United States Department of Commerce National Oceanic and Atmospheric Administration (“NOAA”) to provide loans to local governments that qualified for aid under the Coastal Energy Impact Program (“CEIP”). CEIP is a federal program designed to provide financial assistance to coastal states and municipalities facing impacts from offshore oil development. NOAA and the Authority entered into an agreement whereby the Authority was the direct lending agency for the CEIP in the State, with \$50 million available to make loans to local governments or to establish reserves for loans to local governments.

The CEIP bonds that remain outstanding were issued for the City of Nome and the City of St. Paul. The total amount of CEIP bonds outstanding as of [REDACTED], was \$[REDACTED].

The CEIP loans are administered directly by NOAA without involvement of the Authority. Bonds issued for the CEIP are not liabilities of the Authority and are not secured by a pledge of any amounts held by or payable to the Authority under the 2016 Master Resolution, including the 2016 Reserve Fund, nor are they secured directly or indirectly by any reserve account created under the Act. The CEIP loans are included, however, when calculating the amount of bonds the Authority may issue under the Act. See Note 7 in Appendix D. The Authority has no plans at this time to issue additional CEIP bonds.

Direct Loans

With money from the Custodian Account and with funds appropriated by the State to the Authority, the Authority has acquired certain municipal bonds issued by governmental entities and has defeased certain bonds while retaining the underlying municipal bonds.

As of [REDACTED], the Authority held \$[REDACTED] of City of Galena utility revenue bonds and \$[REDACTED] of City of Galena appropriation obligations. The related loans were funded with appropriations by the State to the Authority specifically for this purpose.

As of [REDACTED], the Authority held \$[REDACTED] of Kenai Peninsula Borough taxable revenue bonds. The related loans were funded with money from the Custodian Account and are secured by a pledge of gross revenues of the Central Peninsula Hospital and a debt service reserve fund, all on a parity with other loans made for the Central Peninsula Hospital.

Loans by the State of Alaska

The Authority has statutory authority to borrow funds from the State’s General Fund at the discretion of the Commissioner or the Department of Revenue. In November 2010 and August 2011 the

Authority borrowed \$6.0 million and \$7.0 million, respectively, from the State for authorized uses of the Authority. The State's fiscal year 2013 capital budget converted the 2010 and 2011 loans to grants through a \$13.2 million appropriation to the Authority that was effective April 15, 2012. This amount reflected the original loan amounts plus interest accrued on those loans. The Authority does not currently have any outstanding loans from the State.

BONDS ISSUED AND OUTSTANDING AS OF [REDACTED]

| | <u>Original Amount Issued</u> | <u>Amount Outstanding</u> |
|---|-----------------------------------|-------------------------------|
| I. 2016 Master Resolution Bonds | \$ 44,135,000 ⁽¹⁾ | \$ 44,135,000 ⁽¹⁾ |
| II. 2005 General Bond Resolution Bonds | 1,444,995,000 | [REDACTED] |
| III. 1976 Master Bond Resolution Bonds | 721,985,000 | — |
| IV. 2010 Master Bond Resolution Bonds | 4,765,000 | [REDACTED] |
| V. Coastal Energy Impact Program Loans ⁽²⁾ | 35,456,046 | [REDACTED] |

(1) Includes the Series 2017A Bonds. Preliminary, subject to change.

(2) The CEIP loans are not liabilities of the Authority but are included when calculating the amount of bonds outstanding under the Act.

DEBT CAPACITY

| | | | |
|--|----|---------------------------|-------------------|
| Debt Limit ⁽¹⁾ | | | |
| University of Alaska | \$ | 87,500,000 | |
| Regional Health Organizations | | 205,000,000 | |
| All Other Authorized Purposes | | <u>1,500,000,000</u> | |
| | | | \$1,792,500,000 |
| Less Outstanding Debt | | | |
| General Obligation Bonds | | | |
| 2016 Master Resolution | | [REDACTED] ⁽²⁾ | |
| 2005 General Bond Resolution | | [REDACTED] ⁽³⁾ | |
| 2010 Master Bond Resolution | | <u>[REDACTED]</u> | |
| | | | \$[REDACTED] |
| Coastal Energy Impact Program Loans ⁽⁴⁾ | | | <u>[REDACTED]</u> |
| Total Outstanding Debt | | | \$[REDACTED] |
| Remaining Debt Capacity | | | |
| University of Alaska | | [REDACTED] | |
| Regional Health Organizations | | [REDACTED] | |
| All Other Authorized Purposes | | <u>[REDACTED]</u> | |
| | | | \$=[REDACTED] |

-
- (1) Excludes the authority of the Authority (or a subsidiary corporation of the Authority) to issue bonds to finance loans to governmental employers to prepay all or a portion of their shares of the unfunded accrued actuarial liabilities of retirement systems. The Authority has never used this authority and has no current plans to do so. See Appendix F – “STATE OF ALASKA – Public Debt and Other Obligations of the State – Future State Supported Pension Obligation Bonds.”
- (2) All of this amount was issued to make loans to regional health organizations. Includes the 2017A Bonds. Preliminary, subject to change.
- (3) Of this amount, \$86,085,000 was issued to make a loan to the University of Alaska.
- (4) The CEIP loans are not liabilities of the Authority but are included when calculating the amount of bonds outstanding under the Act.

DEBT SERVICE REQUIREMENTS

BONDS ISSUED AND OUTSTANDING UNDER THE 2016 MASTER RESOLUTION AND THE SERIES 2017A BONDS

(Fiscal Years Ending June 30)

| Fiscal Year | Outstanding Bonds | Series 2017A Bonds ⁽¹⁾ | | Total ⁽²⁾ |
|----------------------|----------------------|-----------------------------------|----------|----------------------|
| | | Principal | Interest | |
| 2017 | \$ 1,789,919 | \$ | \$ | \$ |
| 2018 | 9,068,000 | | | |
| 2019 | 6,762,500 | | | |
| 2020 | 6,771,125 | | | |
| 2021 | 6,766,625 | | | |
| 2022 | 6,778,875 | | | |
| 2023 | 6,771,625 | | | |
| 2024 | 6,784,750 | | | |
| 2025 | 3,351,750 | | | |
| 2026 | — | | | |
| 2027 | — | | | |
| 2028 | — | | | |
| 2029 | — | | | |
| 2030 | — | | | |
| 2031 | — | | | |
| 2032 | — | | | |
| 2033 | — | | | |
| 2034 | — | | | |
| 2035 | — | | | |
| 2036 | — | | | |
| 2037 | — | | | |
| 2038 | — | | | |
| 2039 | — | | | |
| 2040 | — | | | |
| 2041 | — | | | |
| 2042 | — | | | |
| 2043 | — | | | |
| 2044 | — | | | |
| 2045 | — | | | |
| 2046 | — | | | |
| 2047 | — | | | |
| 2048 | — | | | |
| 2049 | — | | | |
| Total ⁽²⁾ | \$ 54,845,169 | \$ | \$ | \$ |

(1) Preliminary, subject to change.

(2) Totals may not foot due to rounding.

Future Financing Plans

[Confirm]: The Authority has no current plans to issue additional bonds under the 2016 Master Resolution. The Authority anticipates issuing additional bonds pursuant to the 2005 General Bond Resolution within the next 12 months and making related loans to eligible borrowers. The principal amount

of such additional bonds depends on the number and size of the applications for Authority financing from eligible borrowers.

Debt Payment Record

The Authority has always made principal and interest payments on its general obligation and revenue bonds when due. No deficiencies have arisen in any Authority debt service fund or reserve fund, nor has there been a need to exercise the provision requiring that State payments to eligible borrowers be paid to the Authority.

THE 2017A BORROWER AND THE 2017A PROJECT

Nearly all health care that is delivered to Alaska Natives is administered by 13 Alaska Native regional health organizations. Regional health organizations are nonprofit corporations (or a home rule borough of the State) that provide community health aide services under a contract with the Alaska Native Health Service in a rural area that is at least 4,000 square miles. A “community health aide,” as defined in AS 18.28.100, is a person who has completed certain minimal levels of health aide training as described in AS 18.28.100. The 2017A Borrower is one of the State’s regional health organizations. The loan to the 2017A Borrower has been approved by the Commissioner of the State Department of Health and Social Services as funding the loan is anticipated to provide State financial benefit and to increase the regional quality of health care, and the 2017A Borrower has funding for 51% of the 2017A Project secured from other sources as required by the Act.

The Series 2017A Bonds are being issued to make a loan to the 2017A Borrower (i) to pay, or to reimburse the 2017A Borrower for the payment of, a portion of the costs of the 2017A Project; (ii) to make a deposit to the 2016 Reserve Fund and a deposit to the 2017A Borrower’s Reserve Account held by the Trustee; (iii) to make a deposit to the Capitalized Interest Subaccount and to pay or provide for the payment of the 2017A Borrower’s Allocable Proportion of Authority Reserve Fund Interest Expense during construction; and (iv) to pay a portion of the costs of issuing the Series 2017A Bonds and costs of issuing the 2017A Borrower Bond. See “PURPOSE OF THE SERIES 2017A BONDS – Plan of Finance.”

The obligation of the 2017A Borrower to repay the 2007A Loan is special revenue obligation of the 2017A Borrower, payable solely from the Trust Estate pledged and assigned under the Master Security Documents. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – 2007A Borrower Obligations” and Appendix B – “INFORMATION RELATING TO THE 2017A BORROWER AND THE 2017A PROJECT.”

SUMMARY OF THE 2016 MASTER RESOLUTION

The following is a summary of certain provisions of the 2016 Master Resolution. The form of the 2016 Master Resolution is attached to this Official Statement as Appendix E. Capitalized terms used in this summary are defined in Section 103 of the 2016 Master Resolution.

2016 Master Resolution Constitutes Contract

The 2016 Master Resolution provides that the Resolution constitutes a contract between the Authority and the Trustee, Credit Facility Providers, Reserve Fund Credit Facility Providers and Owners from time to time of the Bonds. The pledge under the 2016 Master Resolution and the provisions, covenants and agreements in the 2016 Master Resolution to be performed by or on behalf of the Authority are for the benefit, protection and security of the Owners of any and all of such Bonds, Credit Facility Providers, if any, and Reserve Fund Credit Facility Providers, if any. Each Bond, regardless of the time or

times of its issue or maturity, is required to be of equal rank without preference, priority or distinction over any other Bond, except as expressly provided in the 2016 Master Resolution.

Obligation of the Authority

The Bonds are general obligations of the Authority, and the full faith and credit of the Authority are pledged for the payment of the principal or Accreted Value of and premium, if any, and interest on the Bonds solely from the sources provided in the 2016 Master Resolution and any Series Resolution. The Act and the 2016 Master Resolution each provide that the State is not obligated to pay the principal, Accreted Value, premium, if any, or interest on the Bonds, and that the Bonds, are not a debt or liability of the State and neither the faith and credit of the State nor the taxing power of the State is pledged to the payment of the principal or Accreted Value of, premium, if any, or interest on the Bonds.

Pledge

The Borrower Bonds and the Borrower Payments, the investments thereof and the proceeds of such investments, if any, and all funds and accounts established by the 2016 Master Resolution and by any Series Resolution (other than the Rebate Fund) to be held by the Trustee are pledged and assigned to the Trustee under the 2016 Master Resolution as described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge Effected by the 2016 Master Resolution."

Power to Issue Bonds and Make Pledges

The Authority covenanted in the 2016 Master Resolution that it is duly authorized by law to issue the Bonds and to pledge and assign the Borrower Payments, the Borrower Bonds and other money, securities, funds and property purported to be pledged and assigned pursuant to the 2016 Master Resolution, free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and assignment created by the 2016 Master Resolution, except for the lien in favor of the Trustee on funds held by the Trustee under the 2016 Master Resolution and pledge thereof described in --Pledge above. The Authority also covenanted that it will at all times, to the extent permitted by law, defend, preserve and protect the pledge and assignment of the Borrower Payments, the Borrower Bonds and other money, securities, funds and property pledged and assigned under the 2016 Master Resolution and all the rights of the Owners under the 2016 Master Resolution against all claims and demands of all persons whomsoever.

General

The Authority covenanted that it will 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 Authority under State law and the 2016 Master Resolution in accordance with the terms thereof.

The Act provides that the State will not limit or restrict, and the Authority pledges and agrees with the Owners of the Bonds that it will not cause the State to limit or alter, the rights vested by the Act in the Authority to fulfill the terms of any agreements made with Owners, or in any way impair the rights and remedies of such Owners, until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Owners, are fully met and discharged.

Loan Agreement Provisions

The 2016 Master Resolution provides that no Loan may be made by the Authority from the proceeds of the sale of Bonds, and no Bonds may be issued by the Authority for the purpose of providing funds with which to make a Loan, unless the Loan Agreement under which such loan is to be made complies with, and no Bonds may be issued by the Authority to fund notes or to issue Refunding Bonds unless the Loan Agreement under which the Loan was made from the proceeds of such notes or Bonds, also complies with, the following terms, conditions, provisions and limitations:

- (a) The Borrower that is a party to such Loan agreement must be a Borrower as defined by the 2016 Master Resolution, and each of the Borrower and the Authority must be authorized to enter into the Loan Agreement under applicable State law;
- (b) The Borrower, prior to or simultaneously with the issuance of the related Bonds, is required to execute and deliver a Loan Agreement and is required to issue and deliver a Borrower Bond or Bonds, together with (1) such additional security or assignments as may be required by the Authority and (2) an opinion of such Borrower's counsel to the effect that each of the Loan Agreement and such Borrower Bond or Bonds (and the grant, pledge or assignment of such additional security, if any) has been duly authorized and executed by the Borrower and that each is a valid and binding obligation of the Borrower as required by the Act;
- (c) The Borrower Interest Payments to be made by the Borrower under such Loan Agreement are not less than the interest payments the Authority is required to make on the Loan Obligation, and Loan Obligation payments are scheduled to be paid by the Authority in such manner and at such times (notwithstanding the dates of payment as stated in the Borrower Bonds) as to provide funds sufficient to pay interest on the Loan Obligation as the same becomes due;
- (d) The Borrower Principal Payments to be made by the Borrower under such Loan Agreement will be scheduled by the Authority to be paid in such manner and at such times (notwithstanding the dates of payment as stated in the Borrower Bonds) as to provide funds sufficient to pay the principal or Accreted Value of the Loan Obligation as the same matures or is required to be prepaid or redeemed;
- (e) The Borrower is obligated to pay Fees and Charges to the Authority at the times and in the amounts that will enable the Authority to comply with the provisions of Section 908 of the 2016 Master Resolution;
- (f) If the Borrower is a "public body" as defined in the Act, the Borrower is required to agree that in the event the amounts referred to in paragraphs (c) and (d) are not paid by it to the Authority on or before the times specified in the Loan Agreement, any money payable to the Borrower by any department or agency of the State is required to be withheld from such Borrower and paid over directly to the Trustee and that such agreement is required to be full warrant, authority and direction to any official of the State responsible for such payment to make such payment upon notice to such official by the Authority as provided in the Act.
- (g) If the Borrower is not a public body, the Borrower is required to agree that if the Borrower receives grants, the Authority, if then permitted by law and by the terms of such grants, may seek to intercept such grant funds as provided in Section 914 of the

2016 Master Resolution. In the case of a Borrower that is not a public body as defined in the Act but receives grants, the Authority may if then permitted by law and by the terms of the grants, notify the appropriate officer of the agency or other public body that provides or administer such grant(s) and seek to intercept funds under such grant;

- (h) The Authority may not sell and the Borrower may not redeem prior to maturity any of the related Borrower Bonds in an amount greater than the redeemable portion of the Outstanding Bonds issued to make such Loan and in the event of any such sale or redemption of such Borrower Bonds, the principal amount or Accreted Value of Borrower Bonds sold or redeemed is required to be not less than the aggregate of (i) the principal amount or Accreted Value of the Loan Obligation to be redeemed, (ii) the interest to accrue on the Loan Obligation to be sold or redeemed to the date fixed for redemption or sale, (iii) the applicable premium, if any, payable on the Loan Obligation to be redeemed, and (iv) the Authority's costs and expenses in effecting the redemption of the Loan Obligation to be redeemed; provided, however, that in the event the Loan Obligation has been or is being refunded and the Refunding Bonds therefor were or are being issued in a principal amount in excess of or less than the Loan Obligation remaining unpaid at the date of issuance of such Refunding Bonds, the amount the Borrower is obligated to pay or the Authority will receive under item (i) is required to be the principal amount of such Refunding Bonds Outstanding. In the event the Loan Obligation has been (or is being) refunded and the interest the Authority is required to pay on the Refunding Bonds therefor is less than the interest that the Authority was required to pay on the Loan Obligation, the amount which the Borrower is obligated to pay or the Authority is required to receive under item (ii) above is required to be the amount of interest to accrue on such Refunding Bonds Outstanding.
- (i) Unless the Authority agrees to a shorter period, the Borrower is required to give the Authority at least 50 days' notice of the Borrower's intention to redeem its Borrower Bonds.

Modification of Loan Agreement Terms

The Authority covenanted that it will not consent to the modification of, or modify, the rates of interest on, or the amount or time of payment of any installment of principal of or interest on, any Borrower Bonds evidencing a Loan, or the amount or time of payment of any Fees and Charges payable with respect to such Loan, or the security for or any terms or provisions of such Loan or the Borrower Bonds evidencing such loan, in a manner that adversely affects or diminishes the rights of the Owners.

Enforcement of Borrower Bonds

The 2016 Master Resolution provides that the Authority is required to diligently enforce, and is required to take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions in all Loan Agreements and in the Borrower Bonds evidencing Loans made by the Authority, including in the case of a Borrower that is a public body as defined in the Act, the prompt collection, and the giving of notice to the Commissioner or other officer of each department or agency of the State that is custodian of any money payable to such Borrower of any failure or default of the Borrower in the payment of its Borrower Payment and is required to promptly transfer any such money, upon receipt thereof, to the Trustee and, in such event, or if such money is paid directly to the Trustee, the Trustee is required to deposit any such money in the Principal Account and Interest Account in place of such unpaid Borrower Payment or in the event deficiencies in such Accounts created by such default have been made up by the 2016 Reserve Fund under the 2016 Master Resolution, in the 2016 Reserve Fund to

the extent of such deficiencies. In the case of a Borrower that is not a public body as defined in the Act but receives grants, the Authority is required to notify the appropriate officer of the agency or other public body that provides or administers such grant(s) and seek to eliminate such grant. See “Funds and Accounts – Reserve Fund” below and Appendix E – “FORM OF 2016 MASTER RESOLUTION – Section 906 – General Covenants of the Authority.”

Funds and Accounts

The 2016 Master Resolution established (1) a Debt Service Fund, consisting of an Interest Account, a Principal Account and a Redemption Account; (2) a Reserve Fund; (3) a Rebate Fund, which consists of a separate sub-account for each Series of Bonds; and (4) an Operating Account. The Debt Service Fund, the Rebate Fund and the 2016 Reserve Fund are held by the Trustee. The Operating Account is held by the Authority and is not pledged to the payment of the Bonds.

Debt Service Fund. Except as otherwise provided in the 2016 Master Resolution, the Trustee is required to deposit Borrower Interest Payments and any other money available for the payment of interest in the Interest Account upon receipt thereof. The Trustee is required, on or before each Interest Payment Date and on each date fixed for redemption, withdraw from the Interest Account and pay, or provide for the payment of, interest then due on the Bonds, and such amounts so withdrawn are irrevocably pledged for and are required to be applied to the payment of such interest under the 2016 Master Resolution. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Debt Service Fund.”

Reserve Fund. The 2016 Master Resolution established the 2016 Reserve Fund as a 2016 Master Bond Resolution Reserve Account within the Alaska Municipal Bond Bank Reserve Fund created by the Act and provides that on or before the first day of each month, the Trustee is required to set aside from amounts in the 2016 Reserve Fund derived from Borrower Payments, and if such Borrower Payments are not sufficient, then from investment earnings and profits realized by the 2016 Reserve Fund due to investments thereof, an amount that, when added to the amounts theretofore set aside for such purpose and not paid into the Interest Account, will on such date be equal to the unpaid interest on the Reserve Fund Obligations accrued and to accrue to the last day of such month. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – 2016 Reserve Fund.”

Administration of Reserve Fund. The money and securities held in the 2016 Reserve Fund may not be withdrawn from the 2016 Reserve Fund at any time in such amount as would reduce the amount in such Fund to an amount less than the Reserve Required Debt Service Reserve except for the payment when due of debt service on Reserve Fund Obligations and to cure a deficiency in the Principal Account or the Interest Account.

Rebate Fund. All amounts held in the Rebate Fund, including income earned from investment of the Rebate Fund, are required to be held by the Trustee free and clear of the lien of the 2016 Master Resolution.

Operating Account. The 2016 Master Resolution requires the deposit to the Operating Account of all Fees and Charges collected by the Authority or the Trustee, to the extent not otherwise encumbered or pledged, and any other money which may be made available to the Authority for the purposes of the Operating Account or the Custodian Account from any other source or sources. Money at any time held for the credit of the Operating Account or the Custodian Account are required to be used for and applied solely to the following purposes: (a) to pay the Administrative Expenses of the Authority; (b) to pay the fees and expenses of the Trustee and any Paying Agent; (c) to pay financing costs incurred with respect to Bonds of a Series, including payments related to Reserve Obligations and/or costs, not paid from other

sources, of obtaining Credit Facilities and Reserve Fund Credit Facilities; and (d) to pay any expenses or costs incurred in carrying out any other purpose then authorized by the Act.

The Operating Account is held by the Authority, not by the Trustee, and the 2016 Master Resolution provides that all amounts in the Operating Account are required to be free and clear of any lien or pledge created by the 2016 Master Resolution.

Security for Deposits and Investment of Funds

The 2016 Master Resolution provides that all money held by the Trustee is required to be continuously and fully secured, for the benefit of the Authority, the Owners of the Bonds and any Credit Facility Providers and Reserve Fund Credit Facility Providers in such manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds. Under the 2016 Master Resolution, the Trustee and any Paying Agent are not required to give security for the deposit of any money with them held in trust for the payment of the principal or Accreted Value of, premium, if any, and interest on any Bonds, or for the Trustee to give security for any money represented by obligations purchased as an investment of such money. The 2016 Master Resolution also provides for the investment of funds held by the Trustee. See “FORM OF 2016 MASTER RESOLUTION – Section 702 – Investment of Funds and Accounts Held by the Trustee.”

Payment of Bonds

The Authority covenanted in the 2016 Master Resolution that it will duly and punctually pay or cause to be paid when due the principal or Accreted Value of, and premium, if any, of every Outstanding Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds according to the true intent and meaning thereof. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Fees and Charges

The Authority is required to establish, make, maintain and charge such Fees and Charges to each Borrower to which a Loan is made, and is required to revise such Fees and Charges whenever necessary, so that such Fees and Charges actually collected from each such Borrower will at all times produce money that, together with such Borrower’s Allocable Proportion of other money available under the 2016 Master Resolution, and other money available therefor, will be at least sufficient to pay, as the same become due, the Borrower’s Allocable Proportion of the Administrative Expenses of the Authority and of the Fees and Charges, including the fees and expenses of the Trustee and any Paying Agent.

Issuance of Additional Obligations

The Authority may issue additional Bonds and refunding Bonds pursuant to the terms of the 2016 Master Resolution; however, no additional series of Bonds are to be issued unless certain requirements under the 2016 Master Resolution are met. See “FORM OF 2016 MASTER RESOLUTION – Section 203 – General Provisions for Issuance of Bonds.”

The Authority expressly reserves the right to adopt other general bond resolutions and reserves the right to issue notes and any other obligations so long as the same are not a charge or lien on the Borrower Bonds, the Borrower Payments and the Fees and Charges or payable from the Debt Service Fund or the 2016 Reserve Fund.

Defeasance

Bonds of any Series or a portion thereof may be paid by the Authority in any of the following ways:

- (a) by paying or causing to be paid the principal and Accreted Value of, premium, if any, and interest on such Outstanding Bonds, as and when they become due and payable;
- (b) by depositing with the Trustee, an escrow agent or other Fiduciary, in trust, at or before maturity, money or Government Obligations in the necessary amount (as provided in Section 1303 of the 2016 Master Resolution) to pay or redeem such Outstanding Bonds; or
- (c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the Authority pays Outstanding Bonds of all Series and also pays or causes to be paid all other sums payable and to be payable under the 2016 Master Resolution and under any Credit Facility Reimbursement Obligations, Reserve Facility Reimbursement Obligations and all other obligations under the 2016 Master Resolution and each Series Resolution, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the 2016 Master Resolution), and notwithstanding that any Bonds have not been surrendered for payment, the 2016 Master Resolution and the pledge and assignments made under the 2016 Master Resolution and all covenants, agreements and other obligations of the Authority under the 2016 Master Resolution are required to cease, terminate, become void and be completely discharged and satisfied.

Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 1303 of the 2016 Master Resolution) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the date fixed for redemption of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given as required under the 2016 Master Resolution provided or provision satisfactory to the Trustee has been made for the giving of such notice, then all liability of the Authority in respect of such Bond is required to cease, terminate and be completely discharged, provided that the Owner of such Bond is required to thereafter be entitled to the payment of the principal or Accreted Value of and premium, if any, and interest on the Bonds, and the Authority is required to remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, are required to be deemed to be paid and retired.

If the principal or Accreted Value of or interest on all or a portion of Bonds of a Series have been paid by a Credit Facility Provider pursuant to a Credit Facility, the obligations of the Authority are required to not be deemed to be satisfied or considered paid by the Authority by virtue of such payments and are required to remain Outstanding, and the right, title and interest of the Authority in the 2016 Master Resolution and the obligations of the Authority under the 2016 Master Resolution are required to not be discharged and are required to continue to exist and to run to the benefit of such Credit Facility Provider and such Credit Facility Provider is required to be subrogated to the rights of the Owners of the applicable Bonds of such Series.

Any money held by the Trustee in trust for the payment of the principal or Accreted Value of, premium, if any, or interest on any Bond and remaining unclaimed for one (1) year after such amount has become due and payable (whether at maturity or upon proceedings for redemption as provided in the 2016 Master Resolution), if such money were so held at such date, or one (1) year after the date of deposit of such amount for any Bond if such money were deposited after the date when such Bond became due and payable, are required to be repaid to the Authority free from the trusts created by the 2016 Master Resolution, and all liability of the Trustee with respect to such money are required to thereupon cease.

Supplements and Amendments

The Authority may adopt at any time or from time to time Series Resolution or Supplemental Resolution without the consent of the Owners or the Trustee amending or supplementing the 2016 Master Resolution including:

- (a) to provide for the issuance of Additional Bonds;
- (b) to accommodate Credit Facilities, Liquidity Facilities and Reserve Fund Credit Facilities, provided that such modifications or adjustments do not materially adversely affect the security for payment of Outstanding Bonds;
- (c) to provide for the appointment of a remarketing agent, a tender agent and/or a paying agent or escrow agent in connection with Bonds of any Series;
- (d) to provide for the issuance or incurrence, as applicable, of Build America bonds or similar federal program obligations, Capital Appreciation Bonds, Original Issue Discount Bonds or Reserve Fund Obligations;
- (e) to provide for the conversion of Capital Appreciation Bonds or Original Discount Bonds to Current Interest Bonds;
- (f) to cure any ambiguity or defect or clarify any inconsistent provision in the 2016 Master Resolution or in one or more Series Resolutions or Supplemental Resolutions, provided that such modifications do not materially and adversely affect the security for the payment of Outstanding Bonds;
- (g) to add other covenants and agreements of the Authority; to pledge or assign additional security for the Bonds of one or more Series (or any portion thereof) or to surrender any right or power under the 2016 Master Resolution reserved to or conferred upon the Authority;
- (h) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority;
- (i) to make such provisions as are necessary or appropriate to ensure or to maintain the exclusion of interest on Bonds of a Series from gross income for federal income tax purposes under any Supplemental Resolution or Series Resolution;
- (j) to provide for the issuance of Bonds in book-entry form or bearer form and/or to modify or eliminate the book-entry registration system for Bonds of any Series;

- (k) to qualify the 2016 Master Resolution under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect and/or to permit the Authority or sales of the Bonds to comply with the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in each case provided that such provisions do not materially adversely affect the security for the payment of the Outstanding Bonds;
- (l) to confirm as further assurance any pledge under and the subjection to any lien, claim or pledge of the Borrower Bonds and Borrower Payments or of any other money, securities or funds under the 2016 Master Resolution;
- (m) to obtain or maintain a rating for Bonds of any Series or to modify the 2016 Master Resolution or any Series Resolution or Supplemental Resolution to obtain from any Rating Agency a rating on any Bonds or a portion of any Bonds that is higher than the rating that would be assigned without such modification, provided that such modification does not materially adversely affect the security for payment of the Bonds or would otherwise require consent of Owners under the 2016 Master Resolution;
- (n) to update the list of investments included in the list of “Investment Securities” under the 2016 Master Resolution; and
- (o) for any other purpose that does not materially and adversely affect the security for payment of Outstanding Bonds.

In addition to the amendments listed in clauses (a)-(o) above or otherwise permitted by the 2016 Master Resolution, the 2016 Master Resolution permits the modification or amendment of the 2016 Master Resolution and any Series Resolution or Supplemental Resolution by a Supplemental Resolution (a) with the written consent of the Owners of at least a majority in aggregate principal amount or Accreted Value of the Bonds then Outstanding, or (b) 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 aggregate principal amount or Accreted Value of the Bonds of each Series so affected and then Outstanding; provided, however, that in each case without the specific consent of the Owner of each Outstanding Bond, no such modification or amendment may (1) permit the creation of any lien prior to or on a parity with the lien created by the 2016 Master Resolution or any Supplemental Resolution (except as otherwise permitted by the 2016 Master Resolution), or deprive the Owners of Outstanding Bonds of the lien created by the 2016 Master Resolution or permit the creation of a charge or lien on money and other assets pledged to the payment of the Outstanding Bonds superior to the pledge, charge and lien granted for the payment of the Outstanding Bonds; or (2) reduce the percentage of the principal amount or Accreted Value of Bonds the Owners of which are required to consent to any Supplemental Resolution; or (3) give to any Bonds any preference over any other Bond. In addition, without the specific consent of each Owner so affected, no such modification is permitted to (i) change the date of payment of the principal or Accreted Value of any Outstanding Bond (except as permitted in connection with conversions and mandatory tenders); (ii) reduce the principal amount or Accreted Value of any Outstanding Bond; (iii) change the interest rate on Outstanding Bonds (other than as provided for Variable Rate Bonds or convertible Capital Appreciation Bonds); or (iv) extend the time of payment of interest on Outstanding Bonds; (v) reduce any premium payable upon the redemption or prepayment of such Outstanding Bond; or (vi) advance the date upon which any Outstanding Bond may first be redeemed.

See Appendix E – “FORM OF 2016 MASTER RESOLUTION – Articles X – Modifications and Amendments Without Owner Consents” and “– Article XI – Amendments With Consents.”

Events of Default and Remedies

Each of the following events is an Event of Default under the 2016 Master Resolution:

- (a) The Authority defaults in the payment of the principal or Accreted Value of or the premium, if any, of or the interest on, any Outstanding Bond when and as the same becomes due whether at maturity or on the date fixed for mandatory redemption or otherwise; or
- (b) The Authority fails or refuses to comply with the provisions of Section 44.85.270(g) of the Act; or
- (c) The Authority fails or refuses to comply with any material provision of the Act, other than as described in (b) above, relating to or adversely affecting matters under the 2016 Master Resolution or default in the performance or observance of any other of the covenants, agreements or conditions on its part in the 2016 Master Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds contained (other than, in each case, a failure to perform any covenant made in or in connection with a continuing disclosure agreement, which failure does not constitute a default or an Event of Default), and such failure, refusal or default continues for a period of 45 days after written notice thereof by the Trustee or the Owners of not less than 25 percent in aggregate principal amount or Accreted Value of the Outstanding Bonds;

provided, however, that an event of default will not be deemed to exist under the provisions described in (c) above upon the failure of the Authority to make and collect Fees and Charges required to be made and collected by the 2016 Master Resolution or upon the failure of the Authority to enforce any obligation undertaken by a Borrower pursuant to a Loan Agreement including the making of the stipulated Borrower Payment so long as the Authority may otherwise be directed by law and so long as the Authority is provided with money from the State or otherwise, sufficient in amount to pay the principal of or Accreted Value and interest on all Outstanding Bonds as the same becomes due during the period for which the Authority is directed by law to abstain from making and collecting such Fees and Charges and from enforcing the obligations of a Borrower under the applicable Loan Agreement.

The 2016 Master Resolution provides that upon the happening and continuance of any Event of Default described in clauses (a), (b) or (c) above, the Trustee may proceed, and upon the written request of the holders of not less than 25 percent in principal amount or Accreted Value of the Outstanding Bonds and being indemnified in accordance with the 2016 Master Resolution, is required to proceed, in its own name, to protect and enforce its rights and the rights of the Owners by such of the following remedies as the Trustee, being advised by counsel, deems most effectual to protect and enforce such rights:

- (a) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, including the right to require the Authority to make and collect Fees and Charges and Borrower Payments adequate to carry out the covenants and agreements as to, and pledge of, such Fees and Charges and Borrower Payments, and other properties and to require the Authority to carry out any other covenant or agreement with Owners and to perform its duties under the Act;
- (b) by bringing suit upon the Bonds;
- (c) by action or suit in equity, require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds;

- (d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

Acceleration. Upon the occurrence of an Event of Default in the payment of principal of and interest on Outstanding Bonds, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount or Accreted Value of the Bonds at the time Outstanding is required to, declare the principal or Accreted Value of all the Outstanding Bonds, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same is required to be immediately due and payable.

This provision, however, is subject to the condition that if before any judgment or decree for the payment of the money due has been obtained or entered, the Authority is required to deposit with the Trustee a sum sufficient to pay all principal and Accreted Value of the Outstanding Bonds matured prior to such declaration and all matured installments of interest upon all the Outstanding Bonds, with interest on such overdue installments of principal at the rate borne by the respective Bonds, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then (or otherwise at the request of the Owners of at least a majority in aggregate principal or Accreted Value of the Bonds then outstanding) the Trustee is required to, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such default. See Appendix E – “FORM OF 2016 MASTER RESOLUTION Section 1203 – Remedies” and “– Section 1204 – Priority of Payments After Default.”

Bondholders’ Direction of Proceedings. The Owners of a majority in aggregate principal amount or Accreted Value of the Bonds then Outstanding will have the right under the 2016 Master Resolution to direct in writing the method of conducting all remedial proceedings to be taken by the Trustee under the 2016 Master Resolution provided that such direction may not be otherwise than in accordance with law or the 2016 Master Resolution, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Rights of Credit Facility Providers. Upon the occurrence and continuance of an Event of Default, a Credit Facility Provider then providing a Credit Facility for all or a portion of the Outstanding Bonds of a Series is entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Outstanding Bonds secured by such Credit Facility, provided however, that the Credit Facility Provider will have no such rights under the 2016 Master Resolution and its consent will not be required if such Credit Facility Provider has failed to make a payment properly demanded under its Credit Facility and/or is insolvent.

LITIGATION

As a condition to the delivery of the Series 2017A Bonds, the Authority is required to furnish a certificate to the effect that as of the date of delivery, among other things, there is no litigation pending in any court to restrain or enjoin the issuance or delivery of the Series 2017A Bonds, or in any way contesting the validity or enforceability of the Series 2017A Bonds, the Resolution or any Borrower Bonds or money pledged under the Bond Resolution.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of

certain representations and compliance with certain covenants, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Bond Counsel is also of the opinion, based on existing laws of the State, that interest on the Series 2017A Bonds is exempt from taxation by the State except for transfer, estate and inheritance taxes.

To the extent the issue price of any maturity of the Series 2017A Bonds is less than the amount to be paid at maturity of such Series 2017A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2017A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2017A Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2017A Bonds is the first price at which a substantial amount of such maturity of the Series 2017A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2017A Bonds accrues daily over the term to maturity of such Series 2017A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2017A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2017A Bonds. Beneficial Owners of the Series 2017A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2017A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2017A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2017A Bonds is sold to the public.

Series 2017A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 Series 2017A Bonds. The Authority and the 2017A Borrower have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2017A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2017A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2017A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and 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), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2017A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2017A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of Birch Horton Bittner & Cherot, counsel to the 2017A Borrower, regarding the current qualification of the 2017A Borrower as an organization described in Section 501(c)(3) of the Code and the operation and intended operation of the facilities to be financed by the Series 2017A Bonds as substantially related to the 2017A Borrower's charitable purpose under Section 513(a) of the Code. Such opinion is subject to a number of qualifications and limitations. Furthermore, counsel to the 2017A Borrower cannot give and has not given any opinion or assurance about the future activities of the 2017A Borrower, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or changes in enforcement thereof by the Internal Revenue Service (the "IRS"). Failure of the 2017A Borrower to be organized and operated in accordance with IRS requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Series 2017A Bonds in a manner that is substantially related to the 2017A Borrower's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series 2017A Bonds being included in federal gross income, possibly from the date of the original issuance of the Series 2017A Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2017A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2017A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Series 2017A Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2017A Bonds. Prospective purchasers of the Series 2017A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2017A Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the 2017A Borrower or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the 2017A Borrower have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2017A Bonds ends with the issuance of the Series 2017A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the 2017A Borrower or the Beneficial Owners regarding the tax-exempt status of interest on the Series 2017A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the 2017A Borrower and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the 2017A Borrower legitimately disagree, may not be practicable. Any action of the IRS, including but not

limited to selection of the Series 2017A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2017A Bonds, and may cause the Authority, the 2017A Borrower or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale by the Authority of the Series 2017A Bonds are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. The proposed form of the opinion of Bond Counsel is included herein as Appendix A.

Certain legal matters will be passed upon for the 2017A Borrower by its bond counsel, Birch Horton Bittner & Cherot, Anchorage, Alaska. Certain legal matters will be passed upon for the Underwriters by their special counsel, Foster Pepper PLLC, Seattle, Washington. Any opinion of such counsel will be limited in scope and delivered only to the Underwriters, and may not be relied upon by investors.

UNDERWRITING

The Series 2017A Bonds are to be purchased from the Authority by J.P. Morgan Securities LLC, on behalf of itself and as representative of Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets, LLC (collectively, the “Underwriters”), at an aggregate purchase price of \$_____ (representing the aggregate principal amount of the Series 2017A Bonds, plus/less an original issue premium/discount of \$_____, and less an Underwriters’ discount of \$_____), all subject to the terms of a Bond Purchase Contract (the “Purchase Contract”) between the Authority and the Underwriters. The Purchase Contract provides that the Underwriters will purchase all of the Series 2017A Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, including the approval by counsel of certain legal matters.

The initial offering prices or prices corresponding to the yields set forth on the inside cover page of this Official Statement may be changed from time to time by the Underwriters without prior notice to any person. The Underwriters may offer and sell the Series 2017A Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the initial offering prices or prices corresponding to the yields set forth on the inside cover page of this Official Statement.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, financial advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority or the 2017A Borrower. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority and the 2017A Borrower.

In May 2013, Bank of America Corporation (“BAC”) and MBIA Inc. (“MBIA”) and certain of their respective subsidiaries entered into a settlement agreement to resolve all outstanding representations and warranties claims and all other claims between the parties. As part of the settlement, BAC paid MBIA

Insurance Corporation (“MBIA Corp.”) approximately \$1.7 billion and provided it with a three-year senior secured \$500 million credit facility. In addition, BAC agreed to terminate all of its outstanding credit default swap protection agreements purchased from MBIA Corp. on commercial mortgage-backed securities, as well as to terminate certain other trades in order to close out positions between the companies. MBIA issued to BAC five-year warrants to purchase approximately 4.9 percent of its then-outstanding common shares at an exercise price of \$9.59 per share. MBIA’s public finance insurance business is operated primarily through National Public Finance Guarantee Corporation (“National”), the provider of the Debt Service Reserve Fund Surety Bond. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – 2016 Reserve Fund.” National and MBIA Corp. are subsidiaries of MBIA. Merrill Lynch, Pierce, Fenner & Smith Incorporated, an underwriter of the Series 2017A Bonds, is a subsidiary of BAC.

MUNICIPAL ADVISOR

The Authority has retained Western Financial Group, LLC (“WFG”) to serve as municipal advisor to provide certain advice to the Authority with respect to the issuance of the Series 2017A Bonds. WFG was recently acquired by, and is a wholly-owned subsidiary of, PFM Financial Advisors LLC. WFG is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement. WFG is an independent financial advisory firm registered with the Securities and Exchange Commission and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The financial statements of the Authority for the fiscal year ended June 30, 2016, attached to this Official Statement as Appendix D have been audited by BDO USA, LLP, independent certified public accountants, to the extent and for the periods indicated in their report thereon. Such financial statements have been included in reliance upon the report of BDO USA, LLP. The Authority has not requested BDO USA, LLP to provide written consent for inclusion of the financial statements in this Official Statement.

RATINGS

Fitch Ratings (“Fitch”) and S&P Global Ratings (“S&P”) have assigned “_____” and “_____” ratings, respectively, to the Series 2017A Bonds. Such ratings reflect only the views of such organizations, and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch, One State Street Plaza, New York, New York 10004, (212) 908-0500; S&P, 55 Water Street, New York, New York 10041 (212) 438-1000. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There can be no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Series 2017A Bonds.

CONTINUING DISCLOSURE UNDERTAKINGS

Authority Continuing Disclosure Undertaking

The Authority has covenanted for the benefit of the holders and beneficial owners of the Series 2017A Bonds to provide, or to cause to be provided, certain historical financial and operating information not later than 210 days after the end of each Fiscal Year in which any Series 2017A Bonds are outstanding, commencing with the report for the Fiscal Year ending June 30, 2017 (each an “Annual

Report”). In addition, the Authority has covenanted to provide notices of the occurrence of certain events. The Annual Reports are required to be filed by the Authority with the MSRB through its EMMA system. The specific nature of information to be contained in the Annual Report and the events of which the Authority is to give notice are set forth in the form of the Continuing Disclosure Certificate attached to this Official Statement as Appendix G-1. These covenants have been made in order to assist the Underwriters in complying with paragraph (b)(5) of SEC Rule 15c2-12 (“Rule 15c2-12”).

The Authority has required that the 2017A Borrower and intends to require that each additional Borrower under the 2016 Master Resolution enter into a continuing disclosure agreement in the form attached to such Borrower’s Loan Agreement. The Authority will undertake no responsibility and disclaims all responsibility and liability in respect of any obligations and any reports, notices and disclosures provided or required to be provided by such Borrower under its continuing disclosure agreement. The form of the 2017A Borrower’s continuing disclosure agreement is attached to this Official Statement as Appendix G-2.

Borrower Continuing Disclosure Undertakings

The 2017A Borrower has covenanted, or will covenant, to file with the MSRB, on an annual basis, its audited financial statements and certain historical financial information and operating data of the type included in Appendix B to the extent not included in the audited financial statements (an “Annual Report”) no later than 210 days after the end of the 2017A Borrower’s fiscal year (commencing with the Annual Report for the 2017A Borrower’s fiscal year ending [September 30], 2017) and also to give or cause to be given notice of the occurrence of certain events. The proposed form of the 2017A Borrower’s continuing disclosure agreement is attached to this Official Statement as Appendix G-2.

The 2017A Borrower acknowledges in its Continuing Disclosure Agreement that the Authority has undertaken no responsibility in respect of any reports, notices or disclosures provided or required to be provided under the 2017A Borrower’s Continuing Disclosure Agreement.

In addition, the 2017A Borrower has covenanted that, if its Borrower Bonds constitute 10 percent or more of the outstanding principal amount of the Borrower Bonds held by the Authority under the 2016 Master Resolution, upon request of the Authority, the 2017A Borrower will provide to the Authority for inclusion in future official statements operating data and financial information generally of the type included in Appendix B and otherwise as may be requested by the Authority, to enable the Authority and applicable borrowers to comply with then-applicable disclosure requirements.

Compliance with Prior Continuing Disclosure Undertakings

Bonds Issued under the 2016 Master Resolution. This is the second series of Bonds under the 2016 Master Resolution. The Authority entered into a continuing disclosure undertaking under Rule 15c2-12 in connection with the first series of Bonds issued under the 2016 Master Resolution and believes it has complied in all material respects with such undertaking.

Bonds Issued Under the 2005 General Bond Resolution. The Authority previously has entered into continuing disclosure undertakings under Rule 15c2-12 in connection with bonds issued under the 2005 General Bond Resolution. The Authority subsequently discovered it had not filed certain event notices in connection with rating downgrades of insurers and underlying ratings upgrades. The Authority subsequently filed event notices.

In addition, the Authority discovered it had not included in its annual report statistics of borrowers similar to the statistics set forth in Appendix C of its official statements, as required by prior

continuing disclosure undertakings. Such information was included in publicly available official statements prepared by the Authority every year of noncompliance for bonds issued under the 2005 General Bond Resolution. Such information was, however, dated on or about the date of the official statement rather than as of the end of the Authority's fiscal year end. This technical deficiency was cured and the Authority filed such information with the MSRB.

The Authority has not retained Moody's Investors Service ("Moody's") to rate bonds issued under the 2005 General Bond Resolution since February 20, 2014. Moody's does rate other bonds of the State, however, and on February 29, 2016, when it reduced its rating on the State's general obligation bonds to Aa1/outlook negative, Moody's also reduced its rating on all of the State's moral obligation debt to Aa3 from Aa2. This rating change affected bonds issued by the Authority through February 20, 2014. Notices of Moody's downgrades were linked to the CUSIP numbers for the State's bonds and other obligations but were not linked to the CUSIP numbers for the Authority's bonds. The Authority has subsequently linked the notice to the applicable Authority CUSIP numbers. The Authority also discovered that one of the borrowers had not made all of its required disclosures on time and had not disclosed such failures when required.

Other Bonds Issued by the Authority. The Authority previously entered into continuing disclosure undertakings for bonds issued under its 1976 Master Bond Resolution and 2010 Master Bond Resolution. The Authority discovered that certain annual financial information relating to borrowers under the 1976 Master Bond Resolution and the 2010 Master Bond Resolution had not been filed. This technical deficiency was cured and such information was filed with the MSRB. As of February 1, 2016, no bonds remain outstanding under the 1976 Master Bond Resolution. The Authority previously entered into continuing disclosure undertakings in connection with certain revenue bonds issued by the Authority. The Authority discovered certain annual financial information relating to governmental units was not filed under the terms of such undertakings. These revenue bonds no longer remain outstanding.

General. The Authority has developed procedures to help ensure its compliance with its continuing disclosure obligations in all material respects. Although there have been instances of technical deficiencies with its previous undertakings, the Authority believes it has complied in the past five years in all material respects with its previous undertakings under Rule 15c2-12.

Borrowers Under the 2005 General Bond Resolution. In 2014, the Authority discovered that certain of the borrowers under the 2005 General Bond Resolution that timely filed annual financial information in accordance with their prior undertakings inadvertently failed to associate that annual financial information with all bonds issued and outstanding under the 2005 General Bond Resolution. Effective February 20, 2014, each undertaking and/or loan agreement executed by a borrower includes an express requirement that such filing be linked to the CUSIP numbers for all outstanding bonds issued under the 2005 General Bond Resolution.

Borrowers Under the 2016 Master Resolution. [Statement regarding any prior noncompliance by 2017A Borrower with disclosure or financial covenants]. This is the first undertaking under Rule 15c2-12 for the 2017A Borrower.

SOURCES OF CERTAIN INFORMATION

As of the date of this Official Statement, one Borrower has a Loan obligation outstanding, and as such it is in an amount of ten percent or greater in the pool of loans financed with proceeds of Bonds: Dena' Nena' Hanash dba Tanana Chiefs Conference (the "2016A Borrower"). The 2016A Borrower has provided the information set forth in Appendix C.

The Authority makes no representation as to the accuracy of the information concerning DTC, the Underwriters, the 2016A Borrower, the 2017A Borrower or the 2017A Project in this Official Statement.

MISCELLANEOUS

The summaries or descriptions of provisions in the Bond Resolution and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions, and reference is hereby made to the complete documents and materials, copies of which will be furnished by the Authority on request. The 2016 Master Resolution is attached hereto as Appendix E.

Any statements made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. No assurance can be given, however, that the facts will materialize as so opined or estimated.

OFFICIAL STATEMENT

The Authority has authorized the execution and distribution of this Official Statement.

APPENDIX A

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX B

INFORMATION RELATING TO THE 2017A BORROWER AND THE 2017A PROJECT

APPENDIX C

**INFORMATION RELATING TO BORROWERS
REPRESENTING TEN PERCENT OR MORE OF OUTSTANDING PRINCIPAL OF BONDS
ISSUED UNDER THE 2016 MASTER RESOLUTION**

APPENDIX D

**FINANCIAL STATEMENTS OF THE
ALASKA MUNICIPAL BOND BANK AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2016**

APPENDIX E

FORM OF 2016 MASTER RESOLUTION

APPENDIX F

STATE OF ALASKA

General

Although payments made by the Borrowers on their Borrower Bonds are the primary security for the payment of principal of and interest on the Bonds, including the Series 2017A Bonds, the Authority also maintains the 2016 Reserve Fund as additional security for the payment of the Bonds. The Authority is required under the Act to seek annual appropriations from the Legislature to replenish the 2016 Reserve Fund if needed. Starting in fiscal year 2009 and continuing through fiscal year 2017, the Authority has also obtained annual appropriations of earnings on reserve accounts held by the Authority in excess of the Authority's operating expenses for the fiscal year; the Act otherwise would require such earnings to be appropriated to the State's General Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – 2016 Reserve Fund" and "Government Budgets and Appropriations" below.

Alaska is a sovereign state of the United States of America, located in the far northwest of North America to the west of Canada, with its southeastern border approximately 500 miles north of the State of Washington. Alaska became a state in 1959. The State's population increased approximately 10.6 percent between fiscal year 2005 and fiscal year 2015. The State's fiscal year is July 1 to June 30.

Alaska includes approximately 586,412 square miles (approximately 365 million acres) of land and is the largest state of the United States (roughly equivalent in size to one-fifth of all of the other 49 states combined). Unlike the other 49 states, where significant portions of the land may be owned by individuals or entities in the private sector, less than one percent of the land in Alaska is owned by private, non-Alaska Native owners. As described below, most of the State's revenue is derived from resources owned by the State itself, including petroleum and minerals extracted from State-owned lands and securities in funds owned by the State.

State Government

Alaska became the 49th state in 1959 pursuant to the Alaska Statehood Act, which was enacted by the United States Congress in 1958 (the "Statehood Act"). The Alaska Constitution was adopted by the Constitutional Convention on February 5, 1956, ratified by the people of Alaska on April 24, 1956, and became operative with the formal proclamation of statehood on January 3, 1959.

Alaska government has three branches: legislative, executive and judicial. The legislative power of the State is vested in a legislature consisting of a Senate with a membership of 20 and a House of Representatives with a membership of 40 (the "Legislature"). The executive power of the State is vested in the Governor. The judicial power of the State is vested in a supreme court, a superior court and the courts established by the Legislature. The jurisdiction of courts and judicial districts is prescribed by law. The courts constitute a unified judicial system for operation and administration.

The State provides or funds a range of services including education, health and human services, transportation, law enforcement, judicial, public safety, community and economic development, public improvements and general administrative services.

There are 19 organized boroughs in Alaska and 144 cities, 49 of which are located within an organized borough and 95 of which are located within the unorganized borough. Of these, 15 boroughs and 21 cities impose property taxes and 107 cities impose general sales taxes.

State Revenues

The State does not currently impose personal income taxes and has never imposed statewide general sales taxes. The State does, however, impose a number of business-related taxes that, together with rents and royalties and fines and fees, represented nearly 100 percent of designated and unrestricted non-investment General Fund revenue in fiscal year 2016. Grants, contributions and other revenue from the federal government and interest and investment income represent the remaining portions of State revenue.

The key drivers of the Alaska economy include natural resource development, federal (including national defense) and State government, seafood and tourism. Although approximately 72 percent (in fiscal year 2016) of unrestricted State General Fund revenues arose from the oil and gas sector, more than [25] percent of the State's employment is derived from government. Tourism represents approximately [11] percent of the State's economy with seafood representing approximately [10] percent. The State's population is estimated to have increased 10.6 percent from fiscal year 2005 to fiscal year 2015 (Alaska Department of Labor and Workforce Development, Research & Analysis; August 2016). The State's major exports are oil, seafood (primarily salmon, halibut, cod, pollock and crab), coal, gold, silver, zinc and other minerals.

The State also makes a significant amount of revenue from investment earnings. Approximately one percent of the State's unrestricted General Fund revenue in fiscal year 2016 was attributable to investment earnings, and 32 percent of the State's restricted revenue in fiscal year 2016 was attributable to investment earnings. See Table 4.

The Department of Revenue – Tax Division (the “Tax Division”) produces a semi-annual revenue sources book. The Fall Revenue Sources Book is the comprehensive annual forecast released in late November or early December, and the Spring Revenue Sources Book is an annual, partial update of the Fall forecast. The most recent revenue forecast comes from the Fall 2016 revenue forecast, which was released in December 2016. **All values for fiscal year 2016 are unaudited and subject to change.**

General purpose unrestricted revenues in fiscal year 2016 were \$1,539.8 million, compared to \$2,256.5 million in fiscal year 2015, with the reduction primarily driven by a \$43.18 average price of oil per barrel for fiscal year 2016 (a \$29.40 decrease in the average price per barrel from \$72.58 in fiscal year 2015). The Fall 2016 Revenue Sources Book includes the State's forecast for a modest recovery in the price of oil (\$46.81 for fiscal year 2017 and \$54.00 for fiscal year 2018) and general purpose unrestricted revenues of \$1,446.7 million for fiscal year 2017 and \$1,624.1 million for fiscal year 2018.

Forecast information is derived from a number of sources and is based upon a variety of assumptions, many of which themselves are based upon other forecasts and assumptions and most of which are not within the State's control. Actual budgets, plans and results may differ materially from the plans, budgets and results described herein. As described herein, with recent decreases in oil prices and production, the State's unrestricted revenue available for General Fund appropriation declined in fiscal year 2016 and is forecast to decline in fiscal year 2017. Although petroleum-related revenue remains the largest source of unrestricted revenue for the State's General Fund, increased use of currently restricted revenues, which are significantly greater than unrestricted petroleum-related revenue, together with potential sources of new revenues and potential expenditure reductions, are being considered. See “Government Budgets and Appropriations” and “Revenue Forecasts.”

Oil and Gas Revenues. The State's unrestricted General Fund revenues are generated primarily from petroleum production activities. The State receives petroleum revenues (some of which are

restricted) from five sources: oil and gas property taxes, oil and gas production taxes, bonuses and rents, oil and gas royalties, and corporate income taxes.

Oil and Gas Property Tax. The State levies an oil and gas property tax on the value of taxable oil and gas exploration, production and pipeline transportation property in the State at a rate of 20 mills (two percent) of the assessed value of the property. This is the only centrally assessed statewide property tax program in Alaska. Oil and gas reserves, oil or gas leases, the rights to explore or produce oil or gas, and intangible drilling expenses are not considered taxable property under the statute. The most notable properties that are subject to this tax are the Trans-Alaska Pipeline System (“TAPS”) (including the terminal at Valdez) and the field production systems at Prudhoe Bay. The assessed value of all existing properties subject to this tax was \$27.7 billion as of January 1, 2016, \$28.6 billion as of January 1, 2015, \$27.4 billion as of January 1, 2014, \$28.6 billion as of January 1, 2013, and \$24.5 billion as of January 1, 2012. See “Litigation – Oil and Gas Tax Litigation.”

Property taxes on exploration property are based upon estimated market value of the property. For property taxes on production property, values are based upon replacement cost, less depreciation based on the economic life of the proven reserves (or the economic limit in the case of taxes on offshore platforms or onshore facilities). The amount collected from property taxes on existing production property is expected to decrease in the future. For property taxes on pipeline transportation property (primarily TAPS property), values are determined based upon the economic value, taking into account the estimated life of the proven reserves of gas or unrefined oil expected to be transported by the pipeline and replacement cost, less depreciation based on the economic life of the reserves.

Local governments also may levy a property tax on oil and gas properties at individual mill rates up to 20 mills using the assessed values determined by the State. Taxpayers receive a credit against the State oil and gas property tax for property taxes paid to municipalities on such property up to the amount of State tax that would otherwise be due. Effective July 1, 2014, the State increased one of the limits on the total amount of taxes that may be levied by local governments if the mill rate is less than 20 mills. Of the \$551.5 million of property taxes collected in fiscal year 2016 on oil and gas property in the State, the State’s share was approximately \$111.7 million. In the Fall 2016 Revenue Sources Book, the State forecasts income from the oil and gas property tax to be approximately \$115.8 million in fiscal year 2017 and \$109.7 million in fiscal year 2018.

Revenue from oil and gas property taxes is deposited in the General Fund; settlement payments received by the State after a property tax assessment dispute, however, are deposited in the Constitutional Budget Reserve Fund (the “CBRF”). See “Government Funds – The Constitutional Budget Reserve Fund.”

Oil and Gas Production Taxes. The State levies a tax on oil and gas production income generated from production activities in the State. The tax on production is levied on sales of all onshore oil and gas production, except for federal and State royalty shares and on offshore developments within three miles of shore.

The oil and gas production tax can be a significant source of revenue and in many years has been the State’s single largest source of revenue. The production tax is levied differently based upon the type of production (oil vs. gas) and the geographical location (North Slope vs. Cook Inlet, the State’s two producing petroleum basins).

For North Slope and export gas, the tax uses the concept of “Production Tax Value” (“PTV”), which is gross value at the point of production minus lease expenditures. PTV is similar in concept to net profit, but different in that all lease expenditures can be deducted in the year incurred; that is, capital

expenditures are not subject to a depreciation schedule. The production tax rate is 35 percent of PTV, with an alternative minimum tax of 0 percent to 4 percent of gross value, with the 4 percent minimum tax applying when oil prices exceed \$25 per barrel.

Several tax credits and other mechanisms are available for North Slope oil production to provide incentives for additional production of oil. A per-taxable-barrel credit is available, which is reduced progressively from \$8 per barrel to \$0 at wellhead values between \$80 per barrel and \$150 per barrel. This credit cannot be applied against the gross minimum tax. This results in a flattening of the production tax revenue decline at prices lower than \$80 per barrel. An additional incentive applies for qualifying new production areas on the North Slope. The so-called “Gross Value Reduction” (the “GVR”) permits a company to exclude 20 percent of the gross value for that production from the tax calculation. Qualifying production includes areas surrounding a currently producing area that may not be commercial to develop, as well as new oil pools that have not been discovered or developed. Oil that qualifies for this GVR receives a flat \$5 per taxable barrel credit rather than the sliding-scale credit available for most other North Slope production. As a further incentive, this \$5 per taxable barrel credit can be applied against the minimum tax. Effective January 1, 2017, the GVR is available for only seven years of production and ends early if Alaska North Slope (“ANS”) prices exceed \$70 per barrel for any three years.

Effective January 1, 2022, for North Slope export gas, the tax rate will be 13 percent of gross value at point of production. Currently there is only a very small amount of gas that is technically export gas, sold for field operations in federal offshore leases. However, this tax rate would apply to a major gas export project.

For the North Slope, a Net Operating Loss (“NOL”) credit in the amount of 35 percent of losses is available. This credit can be carried forward to a future tax liability or in some cases transferred or refunded by the State.

For Cook Inlet oil production, the tax rate is 35 percent of PTV. Prior to January 1, 2017, the tax was limited to a maximum of zero dollars per barrel; after January 1, 2017, the tax is limited to a maximum of \$1.00 per barrel.

For Cook Inlet gas production, the tax rate is 35 percent of PTV, and the tax is limited to a maximum value averaging 17.7 cents per million cubic feet. This rate also applies to North Slope gas used for qualifying in-State uses, commonly referred to as “non-export gas.”

Taxpayers are required to make monthly estimated payments, based upon activities of the preceding month. These payments are due on the last day of the following month, and taxpayers are required to file an annual tax return to “true up” any tax liabilities or overpayments made during the year. As an incentive for new exploration, companies without tax liability against which to apply credits may apply for a refund of the value of most of the credits, subject to appropriation. In fiscal year 2016, the State paid \$498 million to companies claiming such credits. For fiscal year 2017, only \$30 million was appropriated for payments of such credits. In the Fall 2016 Revenue Sources Book forecast, the State estimates that approximately \$961 million in outstanding tax credits will be eligible for refund in fiscal year 2018. Payments of these credits are subject to appropriation.

All unrestricted revenue generated by the oil and gas production taxes (\$6.1 billion in fiscal year 2012, \$4.1 billion in fiscal year 2013, \$2.6 billion in fiscal year 2014, \$0.4 billion in fiscal year 2015, and \$0.2 billion in fiscal year 2016, and forecasted by the State in the Fall 2016 Revenue Sources Book to be \$0.1 billion in fiscal year 2017 and \$0.1 billion in fiscal year 2018) is deposited in the General Fund, except that any payments received as a result of an audit assessment under the oil and gas production tax

or as a result of litigation with respect to the tax are deposited in the Constitutional Budget Reserve Fund. See Table 1.

Oil and Gas Royalties, Rents and Bonuses. In fiscal year 2016, approximately 99 percent of all current oil production in the State, including the reserves at Prudhoe Bay, was from State land leased for exploration and development. As the land owner, through the Department of Natural Resources (“DNR”), the State earns revenue from leasing as (i) upfront bonuses, (ii) annual rent charges and (iii) retained royalty interests in the oil and gas production. State land historically has been leased largely based on a competitive bonus bid system. Under this system the State retains a statutorily prescribed minimum royalty interest of at least 12.5 percent on oil and gas production from land leased from the State, although some leases contain royalty rates of up to 20 percent and some also include a net profit-share production agreement. Although other leasing alternatives are available under statute, they have not been used in the past. Under all lease contracts the State has ever written, the State reserves the right to switch between taking its royalty in-kind or in cash (in cash royalty is valued according to a formula based upon the higher-of contract prices received by the producers, net of transportation charges). If the State takes its royalty share in-kind, the State becomes responsible for selling and transporting that royalty share, which means establishing complex contracts to accomplish these tasks. As described below, much of State royalty revenue from production on State land is restricted revenue that is not available for general appropriations.

In addition to royalties from production on State land, the State receives 50 percent of royalties and lease bonuses and rents received by the federal government from leases of federal lands in the National Petroleum Reserve Alaska (the “NPR-A”). The State is required to deposit its entire share of lease bonuses, rents and royalties from oil activity in the NPR-A in the NPR-A Special Revenue Fund, from which a portion is used to make grants to municipalities that demonstrate present or future impact from oil development in the NPR-A. Of the revenue in the NPR-A Special Revenue Fund that is not appropriated to municipalities, 50 percent is to be deposited to the Permanent Fund, with up to 0.5 percent to the Public School Trust Fund and then to the Power Cost Equalization Fund. Any remaining amount is then available for General Fund appropriations. The federal government requires that such revenue be used as described below. The State also receives revenues from federal royalties and bonuses on all other federal lands located within State borders and federal royalties and lease bonuses and rents from certain federal waters at rates negotiated on a field by field basis. This revenue too is treated as federal revenue and is restricted. See “Use of Restricted Petroleum Revenue.”

Table 1 summarizes the sources and uses of oil and other petroleum-related revenue for fiscal years 2007 through 2016 and does not include fiscal years 2017 and 2018, described above.

Table 1

Sources and Initial Applications of Oil and Other Petroleum-Related Revenue
Fiscal Years Ended June 30, 2007 - 2016
(\$ millions)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|-----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Oil Revenue to the General Fund | | | | | | | | | | |
| Property Tax..... | \$ 65.6 | \$ 81.5 | \$ 111.2 | \$ 118.8 | \$ 110.6 | \$ 111.2 | \$ 99.3 | \$ 128.1 | \$ 125.2 | \$ 111.7 |
| Corporate Income Tax ⁽¹⁾ . | 594.4 | 605.8 | 492.2 | 446.1 | 542.1 | 568.8 | 434.6 | 316.6 | 94.8 | (58.8) |
| Production Tax. | 2,208.4 | 6,822.6 | 3,112.0 | 2,871.0 | 4,552.9 | 6,146.1 | 4,050.3 | 2,598.2 | 389.7 | 186.0 |
| Royalties (including bonuses, rents and interest) ⁽²⁾⁽³⁾ | 1,613.0 | 2,446.1 | 1,465.6 | 1,477.0 | 1,843.3 | 2,031.7 | 1,767.8 | 1,712.4 | 1,078.2 | 870.6 |
| Subtotal..... | \$4,481.4 | \$9,956.0 | \$5,181.0 | \$4,912.9 | \$7,048.9 | \$8,857.8 | \$6,352.0 | \$4,755.3 | \$1,687.9 | \$1,109.5 |
| Oil Revenue to Other Funds | | | | | | | | | | |
| Royalties to the Permanent Fund and School Fund ⁽²⁾⁽³⁾ | \$ 545.6 | \$ 850.5 | \$ 670.8 | \$ 707.2 | \$ 870.9 | \$ 919.6 | \$ 855.9 | \$ 786.2 | \$ 518.3 | \$ 396.9 |
| Tax settlements to CBRF..... | 101.9 | 476.4 | 202.6 | 552.7 | 167.3 | 102.1 | 176.6 | 141.4 | 149.0 | 119.1 |
| NPR-A royalties, rents and bonuses ⁽⁴⁾ | 12.8 | 5.2 | 14.8 | 21.3 | 3.0 | 4.8 | 3.6 | 6.8 | 3.2 | 1.8 |
| Subtotal..... | 660.3 | 1,332.1 | 888.2 | 1,281.2 | 1,041.2 | 1,026.5 | 1,036.1 | 934.4 | 670.5 | 517.8 |
| Total Oil Revenue | \$5,141.7 | \$11,288.1 | \$6,069.2 | \$6,194.1 | \$8,090.1 | \$9,884.3 | \$7,388.1 | \$5,689.7 | \$2,358.4 | \$1,627.3 |

(1) Corporate income tax collections for fiscal year 2016 were negative due to large refunds of prior-year estimated taxes and low estimated taxes for fiscal year 2016.

(2) Net of deposits in the Permanent Fund and the Constitutional Budget Reserve Fund. The State Constitution requires the State to deposit at least 25 percent in the Permanent Fund, and between 1980 and 2003, State statutes required the State to deposit at least 50 percent in the Permanent Fund. The statutory minimum was changed to 25 percent beginning July 1, 2003, and changed back to 50 percent as of October 1, 2008. See "Government Funds – The Alaska Permanent Fund."

(3) Includes proceeds of royalties taken in-kind.

(4) By federal statute, the State receives 50 percent of federal revenues from oil and gas lease sales located in the NPR-A.

Source: State of Alaska Department of Revenue.

Corporate Income Tax. The State levies a corporate income tax on Alaska taxable net income of corporations doing business in Alaska (other than certain qualified small businesses and income received by certain corporations from the sale of salmon or salmon eggs). Corporate income tax rates are graduated and range from zero percent to 9.4 percent of income earned in Alaska. Taxable income generally is calculated using the provisions of the federal Internal Revenue Code, and the calculation of Alaska taxable income varies, depending upon whether the corporation does business solely in Alaska, does

business both inside and outside Alaska or is part of a group of corporations that operate as a unit in the conduct of a single business (a “unitary” or “combined” group). Oil and gas companies are combined on a world-wide basis, although for other industries only the companies doing business in the United States are combined. Taxpayers may claim all federal incentive credits, but federal credits that refund other federal taxes are not allowed as credits against State corporate income taxes. In addition to the federal incentive credits, the State provides additional incentives, including an education credit for contributions made to accredited State universities or colleges for education purposes, a minerals exploration incentive, an oil and gas exploration incentive and a gas exploration and development tax credit.

Most corporate net income tax collections are deposited in the General Fund, although collections from corporate income tax audit assessments of oil and gas corporations are deposited in the Constitutional Budget Reserve Fund.

Non-Oil Revenues. The State also receives unrestricted and restricted General Fund revenues from activities unrelated to petroleum. The State receives revenues from corporate income taxes paid by corporations other than petroleum producers, cigarette/tobacco excise taxes, motor fuel taxes, alcoholic beverage taxes, fishery business taxes, electric and telephone cooperative taxes, insurance premium taxes, commercial passenger vessel excise taxes and service charges, permit fees, fines and forfeitures, and miscellaneous revenues. A number of these non-oil tax, license and fee revenue (but not investment income and federal revenue) are shared with municipalities. In fiscal year 2016 unrestricted revenue unrelated to petroleum production (excluding investment income and federal revenue) was \$407.8 million, and in the Fall 2016 Revenue Sources Book, the State forecasts that unrestricted revenue unrelated to petroleum production will be \$461.2 million in fiscal year 2017 and \$491.9 million in fiscal year 2018. Contained in the non-oil figures is the minerals industry, which contributes State revenue in the form of corporate income tax, mining license tax, and mining rents and royalties.

Federal Revenue. The federal government is a significant employer in Alaska, directly and indirectly, in connection with its military bases and as a result of procurement contracts, grants and other spending. In addition to expenditures in connection with federal military bases and other activities in Alaska, the State receives funding from the federal government, approximately \$2.5 billion in fiscal year 2014, \$2.5 billion in fiscal year 2015 and \$2.5 billion in fiscal year 2016. In the Fall 2016 Revenue Sources Book, the State forecasts that restricted federal revenue will be \$8.5 billion in fiscal year 2017 and \$8.1 billion in fiscal year 2018. The forecast represents total budgeted spending authority for federal receipts, and actual federal receipts typically are less than forecast. The federal funds are used primarily for road and airport improvements, aid to schools and Medicaid payments, all of which are restricted by legislative appropriation to specific uses. Federal funds most often are transferred to the State on a reimbursement basis, and all transfers are subject to audit.

Investment Revenues. The State earns unrestricted and restricted investment earnings from a number of internal funds. Two primary sources of investment income for the State are two constitutionally-mandated funds, the Permanent Fund and the Constitutional Budget Reserve Fund. The Permanent Fund had an unaudited fund balance (principal and the earnings reserve) of approximately \$52.8 billion as of June 30, 2016. The Permanent Fund had a fund balance of \$52.8 billion as of June 30, 2015, \$51.2 billion as of June 30, 2014, \$44.8 billion as of June 30, 2013, and \$40.3 billion as of June 30, 2012. The Constitutional Budget Reserve Fund had an unaudited fund balance of approximately \$7.3 billion as of June 30, 2016. The Constitutional Budget Reserve Fund had a fund balance of approximately \$10.1 billion as of June 30, 2015, \$12.8 billion as of June 30, 2014, \$11.6 billion as of June 30, 2013, and \$10.6 billion as of June 30, 2012. The Earnings Reserve Account balance in the Permanent Fund is available for appropriation with a majority vote of the Legislature, while appropriation of the Permanent Fund’s principal balance requires amendment of the State Constitution. The balance of the Constitutional Budget Reserve Fund is available for appropriation with a three-fourths vote of each

house of the Legislature, and as described below, the State borrows from the Constitutional Budget Reserve Fund when needed to address mismatches between revenue receipts and expenditures in the General Fund and/or to balance the budget at the end of the fiscal year. All fiscal year 2016 values are unaudited and use best information available at this time. See “Government Funds – The Constitutional Budget Reserve Fund” and “– The Alaska Permanent Fund.”

The State has also in the past received the earnings on the Statutory Budget Reserve Fund (the “SBRF”). This fund has a current balance of zero, and had a balance of \$288 million as of June 30, 2015, \$2.8 billion as of June 30, 2014, and \$4.7 billion as of June 30, 2013. These earnings are considered General Fund unrestricted revenue, and in October 2015 the remaining balance in the Statutory Budget Reserve Fund was transferred to the General Fund. See “Government Funds – The Statutory Budget Reserve Fund.”

The Constitutional Budget Reserve Fund had an estimated fund balance of approximately \$7.3 billion as of June 30, 2016. The Constitutional Budget Reserve Fund had a fund balance of approximately \$10.1 billion as of June 30, 2015, \$12.8 billion as of June 30, 2014, \$11.6 billion as of June 30, 2013 and \$10.6 billion as of June 30, 2012. The balance of the Constitutional Budget Reserve Fund is available for appropriation with a three-fourths vote of each house of the Legislature, and as described below, the State borrows from the Constitutional Budget Reserve Fund when needed to address mismatches between revenue receipts and expenditures in the General Fund and/or to balance the budget at the end of the fiscal year. See “Government Funds – The Constitutional Budget Reserve Fund” and “– The Alaska Permanent Fund.”

In addition to investment income from the above-described funds, the State receives investment income (including interest paid) from investment of other unrestricted funds (\$22.5 million in fiscal year 2016, \$47.9 million in fiscal year 2015, \$130.2 million in fiscal year 2014, \$28.1 million in fiscal year 2013 and \$107.8 million in fiscal year 2012). See “Government Funds.”

Major Components of State Revenues. Table 2 summarizes the sources of unrestricted and restricted revenues available to the State in fiscal years 2012 through 2016.

Table 2

Total State Government Revenue by Major Component
Fiscal Years Ended June 30, 2012 - 2016
(\$ millions)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------------|-------------|-------------|-------------|------------|------------|
| Revenue Source | | | | | |
| <u>Unrestricted</u> | | | | | |
| Oil Revenue | \$ 8,857.8 | \$ 6,352.0 | \$ 4,755.3 | \$ 1,687.9 | \$ 1,109.5 |
| Non-Oil Revenue | 519.6 | 548.4 | 508.5 | 520.7 | 407.8 |
| Investment Earnings | 107.8 | 28.1 | 130.2 | 47.9 | 22.5 |
| Subtotal | \$ 9,485.2 | \$ 6,928.5 | \$ 5,394.0 | \$ 2,256.5 | \$ 1,539.8 |
| <u>Restricted</u> | | | | | |
| Oil Revenue ⁽¹⁾ | \$ 1,062.5 | \$ 1,036.1 | \$ 934.4 | \$ 670.5 | \$ 517.8 |
| Non-Oil Revenue | 452.7 | 485.0 | 473.5 | 491.2 | 640.1 |
| Investment Earnings | 144.3 | 4,977.8 | 7,927.7 | 2,603.4 | 556.0 |
| Federal Revenue | 2,455.5 | 2,383.2 | 2,511.9 | 2,512.7 | 2,512.7 |
| Subtotal | 4,079.0 | 8,882.1 | 11,847.5 | 6,277.8 | 4,226.6 |
| Total | \$ 13,564.2 | \$ 15,810.6 | \$ 17,241.5 | \$ 8,534.3 | \$ 5,766.4 |

(1) "Restricted Oil Revenue" includes oil revenue for NPR-A Rents, Royalties, and Bonuses shared by the federal government. In fiscal year 2016 this equaled \$1.8 million.

Source: State of Alaska Department of Revenue.

Government Budgets and Appropriations

The Legislature is responsible for enacting the laws of the State, including laws that impose State taxes, and for appropriating money to operate the government. The State is limited by its Constitution and statutes and also by policy in how it manages its funds and, as in other states, no funds, regardless of source, may be spent without a valid appropriation from the Legislature. The Legislature has a 90-day statutory time limit, and a constitutional time limit of 120 days with an allowance for up to an additional 10 days, to approve a budget. If the Legislature fails to approve a budget, or if other limited purpose legislation needs to be considered, the Governor or Legislature may call a special session to consider such matters. See "— General Appropriations."

Budgets. The State's fiscal year begins on July 1 and ends on the following June 30, and the Legislature meets in regular session beginning on the fourth Monday of January in each year. The Governor is required by AS 37.07.020(a) to prepare (1) a statutorily conforming budget for the succeeding fiscal year, including capital, operating and mental health budgets, setting forth all proposed expenditures (including expenditures of federal and other funds not generated by the State) and anticipated income of all departments, offices and agencies of the State; (2) a general appropriation bill to authorize proposed expenditures; and (3) in the case of proposed new or additional revenues, one or more

bills containing recommendations for such new or additional revenues. The Governor's budget must be made public and be submitted to the Legislature by December 15. In accordance with AS 37.07.020(b), the Governor also is required to prepare a six-year capital budget covering the succeeding six fiscal years and a 10-year fiscal plan. To assist the Governor in preparing budgets, proposed appropriation bills and fiscal plans, the Tax Division prepares forecasts of annual revenues in December and April of each year. See "State Revenues" above and Table 3, "Government Funds" and "Revenue Forecasts" below.

The State Constitution prohibits the withdrawal from the treasury of nearly all funds, regardless of source, without an appropriation. As a consequence, the Governor's proposed budget and the Legislature's appropriation bills include federal and other funds as well as funds from the State and, by practice, funds that may be available for withdrawal without an appropriation. The State Constitution also prohibits the dedication to a special purpose of the proceeds of "any State tax or license," with the exception of dedications required by federal law, mandated by the State Constitution or in existence prior to statehood.

General Appropriations. The Governor is required by State law to submit the three budgets—an operating budget, a mental health budget and a capital budget—by December 15 and to introduce the budgets and appropriation bills formally to the Legislature in January by the fourth day of the regular Legislative session. These three budgets then go to the House Finance Committee and are voted upon by the House of Representatives. The three budgets then go to the Senate Finance Committee, are voted upon by the full Senate and may go to a conference committee to work out differences between the House and Senate versions (and then be submitted to both houses for final votes). Bills passed by both houses are delivered to the Governor for signature. The Governor may veto one or more of the appropriations made by the Legislature in an appropriations bill (a "line-item veto") or may sign the bill or permit the bill to become law without a signature or veto. The Legislature may override a veto by the Governor (by a vote of three-fourths of the members of each house of the Legislature in the case of appropriation bills and by a vote of two-thirds of the members of each house in the case of other bills). Either the Governor or the Legislature may initiate supplemental appropriations during the fiscal year to deal with new or changed revenue receipts, to correct errors or for any other reason. Appropriation is an authorization to spend, not a requirement to spend. Enacted budget appropriations may be expended beginning July 1.

The Governor is permitted to prioritize or restrict expenditures, to redirect funds within an operating appropriation to fund core services and to expend unanticipated federal funds or program receipts. Historically, Alaskan Governors have placed restrictions on authorized operating and capital expenditures during years in which actual revenues were less than forecast and budgeted. Such expenditure restrictions have included deferring capital expenditures, State employment hiring freezes, lay-offs and furloughs and restrictions on non-core operating expenses. As described below, General Fund revenues and operating and capital expenditures have been declining since fiscal year 2015 and declines in operating and capital expenditures have included use of administrative restrictions on spending. See "Public Debt and Other Obligations of the State."

As shown in Table 3, State Unrestricted General Fund Revenue has diminished from \$2.26 billion in fiscal year 2015 to \$1.54 billion in fiscal year 2016, to a projected \$1.45 billion in fiscal year 2017 and a projected \$1.62 billion in fiscal year 2018. In response to the diminished State revenue forecasts, Governor Walker proposed a reduction in unrestricted General Fund State operating budget spending of 9 percent and a reduction in the capital budget of more than 80 percent for fiscal year 2016. The Legislature increased the operating budget reduction to more than 12 percent. Governor Walker additionally issued an Administrative Order to limit or stop State spending on State "Mega Projects" including the Juneau Access road, the Knik Arm Crossing, the Susitna Hydroelectric project, a small diameter in-State gas pipeline project, and a proposed State road to the Ambler Mining District. The

Governor subsequently discontinued State spending on the Knik Arm Crossing and Susitna Hydroelectric projects.

The Governor's proposed fiscal year 2017 budget included additional declines in unrestricted General Fund State operating budget expenditures and a capital budget comparable to the capital budget in fiscal year 2016. On May 18, 2016, the second regular session of the 29th Legislature reached the constitutional time limit and adjourned. On May 19, 2016 the Governor issued an executive proclamation calling the Legislature into special session starting on May 23, 2016, to consider both budget bills as well as other bills previously introduced related to increasing revenues and decreasing expenditures of the State. On May 31, 2016, the Legislature approved a fiscal year 2017 operating and capital budget, authorizing \$4,417.4 million of spending. At the same time, the Legislature supplemented the fiscal year 2016 budget with \$642.1 million of appropriations consisting of \$430.0 million in oil and gas tax credits, \$92.0 million of capital expenses, \$30.1 million of agency operating expenses, and \$90.0 million for retirement system funding. The proposed level of spending results in a projected \$642.1 million increase in the deficit in fiscal year 2016 and a \$3,171.4 million deficit in fiscal year 2017. The budget bills were transmitted to the Governor on June 20, 2016, and on June 29, 2016, the Governor signed the budgets and exercised his line-item veto authority to reduce the fiscal year 2017 appropriations by approximately \$1.29 billion. The reductions consisted of \$190 million to State government, K-12 education (including the School Debt Reimbursement Program) and the University of Alaska, \$430 million of oil and gas tax credits, and \$665 million to the October 2016 Permanent Fund dividend distribution, reducing the fiscal year 2016 dividend to \$1,022 (cutting the dividend in half, the first time the statutory formula was not followed). The vetoes were not overridden during the fifth special session that began on July 11, 2016 and adjourned on July 18, 2016. See "Government Funds."

The Unrestricted General Fund deficit was \$3.9 billion in fiscal year 2015 (which was managed by using transfers from the Statutory Budget Reserve Fund and by eliminating the forward funding of K-12 education). The Unrestricted General Fund deficit for fiscal year 2016 was previously projected to be \$3.7 billion, to be managed by a draw on reserves. If proposed amendments to the fiscal year 2016 budget had not been vetoed (or if the Governor's vetoes had been overridden), the draw on the State's reserves would have been close to \$4.5 billion.

As part of his fiscal year 2017 budget, Governor Walker introduced ten bills as part of a comprehensive plan to modify how revenue of the State is accounted for, to increase user fees and charges, increase taxes, diminish certain waivers, credits and deductions, and to implement new taxes. The bill with the most impact was the Alaska Permanent Fund Protection Act that would shift the Permanent Fund to a sovereign wealth model. On June 6, 2016, the Legislature approved the first of these bills, House Bill 247, reducing State oil and gas tax credits. Although the remaining bills were not passed, Governor Walker has indicated his intention to introduce again a comprehensive set of fiscal reform bills when the 30th Legislature convenes in January 2017.

Appropriations for Debt and Appropriations for Subject-to-Appropriation Obligations. The Governor's proposed appropriations bills include separate subsections for appropriations for State debt and other subject-to-appropriation obligations and specify the sources of funds to pay such obligations. For the State's outstanding, voter-approved general obligation bonds and bond anticipation notes and for revenue anticipation notes to which the State's full faith and credit are pledged, money is appropriated from the General Fund and if necessary, to the General Fund from other funds, including the Permanent Fund, to the State Bond Committee to make all required payments of principal, interest and redemption premium. For these full faith and credit obligations, the State legally is required to raise taxes if State revenues are not sufficient to make the required payments.

The Governor's proposed appropriation bills also include separate subsections for appropriations for subject-to-appropriation obligations, such as outstanding capital leases and lease-purchase financings authorized by law, as well as the School Debt Reimbursement Program and Capital Project Reimbursement Program for reimbursement to local governments for debt payments on certain general obligation bonds issued by local governments for school construction and certain other limited projects, and for State "moral obligation" debt, appropriations to replenish debt service reserves in the event of a deficiency. Such appropriations are made from the General Fund or from appropriations transferring to the General Fund money available in other funds such as the Constitutional Budget Reserve Fund, the Power Cost Equalization Fund, unencumbered funds of the State's public corporations and the Permanent Fund earnings reserve.

Appropriation Limits. The State Constitution does not limit expenditures but does provide for an appropriation limit and reserves one-third of the amount within the limit for capital projects and loan appropriations. Because State appropriations have never approached the limit, the reservation for capital projects and loan appropriations has not been a constraint. The appropriation limit does not include appropriations for Permanent Fund dividends described below, appropriations of revenue bond proceeds, appropriations to pay general obligation bonds or appropriations of funds received in trust from a non-State source for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds. In general, under the State Constitution, appropriations that do not qualify for an exception may not exceed \$2.5 billion by more than the cumulative change, derived from federal indices, in population and inflation since July 1, 1981. For fiscal year 2016, the appropriations limit was approximately \$10.7 billion and is [estimated to be approximately \$10.2 billion] for fiscal year 2017.

Government Funds

Because the State is dependent upon taxes, royalties, fees and other revenues that can be volatile, the State has developed a framework of constitutionally and statutorily restricted revenue that is held in a variety of reserve funds to provide long-term and short-term options to address cash flow mismatches and budgetary deficits. For fiscal year 2016, restricted revenue for deposit in reserves exceeded unrestricted revenue by \$[] billion. The State Constitution provides that with three exceptions, the proceeds of State taxes or licenses "shall not be dedicated to any special purpose." The three exceptions are when required by the federal government for State participation in federal programs, any dedication existing before statehood, and when provided by the State Constitution, such as restricted for savings in the Permanent Fund or the Constitutional Budget Reserve Fund. State revenue restricted for deposit in the Permanent Fund and the Constitutional Budget Reserve Fund is available for appropriation as prescribed by the constitutional provisions described below.

Current State funding options available on a statutory basis include unrestricted revenue of the General Fund, use of the earnings or the principal balance of the Statutory Budget Reserve Fund, borrowing restricted earnings revenue or principal balance from the Constitutional Budget Reserve Fund, use of the statutorily restricted oil revenue currently flowing to the Permanent Fund, and use of the unrestricted earnings revenue of the Permanent Fund. To balance revenues and expenditures in a time of financial stress, each of these funds can be drawn upon, following various protocols. The Constitutional Budget Reserve Fund may be accessed with a majority vote of the Legislature following a year-over-year revenue decline, or in any year by a three-quarters vote of both houses of the Legislature. A simple majority vote is needed to appropriate from the Statutory Budget Reserve Fund and from the Permanent Fund Earnings Reserve.

Additional options for the State to manage budget funding include reducing State expenditures, transferring spending authority among line items, providing additional incentives to develop petroleum or

mining resources, reinstituting a State personal income tax or imposing other broad-based statewide taxes, such as a sales tax. Most of these options, including the imposition of personal income taxes or other taxes, would require action by the Legislature.

One method that the State deploys to provide fiscal stability is forward funding or endowing programs. One particularly notable example is the method that has been used to fund K-12 education. From fiscal year 2009 through fiscal year 2016, more than \$1 billion of the State's current year revenue was set aside annually in the Public Education Fund to pre-fund the State's projected contribution to K-12 education for the succeeding fiscal year. The State's constitutionally based obligation for K-12 education has been one of the largest single recurring budget line items in the State's budget. The Governor used his line-item veto to eliminate the State's fiscal year 2017 contribution.

The General Fund. Unrestricted State revenue is annually deposited in the General Fund, which serves as the State's primary operating fund and accounts for most of the State's unrestricted financial resources. The State has, however, created more than 55 subfunds and "cash pools" within the General Fund to account for funds allocated to particular purposes or reserves, including the Constitutional Budget Reserve Fund, the Statutory Budget Reserve Fund, an Alaska Capital Income Fund, and a debt retirement fund. In terms of long-term and short-term financial flexibility, the Constitutional Budget Reserve Fund and the Statutory Budget Reserve Fund (subfunds within the General Fund) are of particular importance to the State.

The Constitutional Budget Reserve Fund. The State Constitution requires that oil and gas and mineral dispute-related revenue be deposited in the Constitutional Budget Reserve Fund. The State Constitution provides that other than money required to be deposited in the Permanent Fund, all money received by the State after July 1, 1990 as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses or involving taxes imposed on mineral income, production or property, are required to be deposited in the Constitutional Budget Reserve Fund. Money in the Constitutional Budget Reserve Fund may be appropriated (i) for any public purpose, upon the affirmative vote of three-fourths of the members of each house of the Legislature; or (ii) if the amount available to the State for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year; however, the amount appropriated may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year. The State Constitution also provides that until the amount appropriated from the Constitutional Budget Reserve Fund is repaid, excess money in the General Fund at the end of each fiscal year must be deposited in the Constitutional Budget Reserve Fund.

The fiscal year 2015 capital budget approved by the Legislature included a \$3 billion transfer from the Constitutional Budget Reserve Fund to the Public Employees Retirement System and Teachers Retirement System. The Public Employees Retirement System received \$1 billion and the Teachers Retirement System received \$2 billion.

The State historically has borrowed from the Constitutional Budget Reserve Fund as part of its cash management plan to address timing mismatches between revenues and disbursements within a fiscal year and also to balance the budget when necessary at the end of the fiscal year. Prior to draws in fiscal year 2015, the Legislature last appropriated funds from the Constitutional Budget Reserve Fund in fiscal year 2005. As of June 30, 2009, the balance owed by the General Fund to the Constitutional Budget Reserve Fund for draws prior to 2005 was completely repaid.

The estimated balance in the Constitutional Budget Reserve Fund as of June 30, 2016, was approximately \$7.3 billion, including estimated earnings of \$138.3 million. As of June 30, 2015, the balance was approximately \$10.1 billion, with estimated earnings of approximately \$197.7 million; as of June 30, 2014, the balance was approximately \$12.8 billion, with earnings of approximately \$1.0 billion; and as of June 30, 2013, the balance was approximately \$11.6 billion, with earnings of approximately \$618.1 million.

The Statutory Budget Reserve Fund. The Statutory Budget Reserve Fund has existed in the State's accounting structure since 1986, and as for most of the years it has existed, the Statutory Budget Reserve Fund is not expected to have a balance for at least the next several years. When funded, the Statutory Budget Reserve Fund is available for use for legal purposes with a simple majority vote of the Legislature and with approval by the Governor. If the unrestricted amount available for appropriation in the fiscal year is insufficient to cover General Fund appropriations, the amount necessary to balance revenue and General Fund appropriations or to prevent a cash deficiency in the General Fund was appropriated from the Statutory Budget Reserve Fund to the General Fund. For fiscal year 2015, this resulted in a year-end transfer from the Statutory Budget Reserve Fund to the General Fund of approximately \$2.5 billion. As of June 30, 2015, the Statutory Budget Reserve Fund held approximately \$288 million. The market value of the Statutory Budget Reserve Fund as of October 31, 2015 was zero due to transfers to the General Fund for expenditures. Any earnings on the Statutory Budget Reserve Fund are considered unrestricted investment revenue and flow to the General Fund.

The Alaska Permanent Fund. The Permanent Fund was established by a voter-approved constitutional amendment that took effect February 21, 1977. The amendment provides that "at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments" and that "all income from the permanent fund shall be deposited in the General Fund unless otherwise provided by law."

In 1980, legislation was enacted that provided for the management of the Alaska Permanent Fund by the Alaska Permanent Fund Corporation, a public corporation within the DOR, managed by a board of trustees. The same legislation modified the contribution rate to the Permanent Fund from 25 percent (the minimum constitutionally mandated contribution) to 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares, federal mineral revenue sharing payments and bonuses received by the State from mineral leases issued after December 1, 1979 or, in the case of bonuses, after May 1, 1980. The statutory contribution rate was changed back to 25 percent by legislation as of July 1, 2003 but then returned to 50 percent as of October 1, 2008. For fiscal year 2016, State oil and mineral revenues deposited in the Permanent Fund were \$284 million, compared to \$600 million in fiscal year 2015 and \$779 million in fiscal year 2014. In addition to these constitutionally and statutorily mandated transfers to the Permanent Fund prior to fiscal year 2006, the Legislature has made special appropriations from the State's General Fund to the Permanent Fund several times, totaling in the aggregate approximately \$2.7 billion as of June 30, 2016.

The Permanent Fund tracks earnings on a basis compliant with statements pronounced by the Governmental Accounting Standards Board ("GASB") in the compilation of the financial statements of the Permanent Fund. Fund balance consists of two parts: (1) principal, which is non-spendable, and (2) earnings reserve, which is spendable with an appropriation by the Legislature. By statute, only realized gains are deposited in the earnings reserve. Unrealized gains and losses associated with principal remain allocated to principal. Because realized gains deposited in the earnings reserve are invested alongside the principal, however, the unrealized gains and losses associated with the earnings reserve are spendable with an appropriation of the Legislature.

Pursuant to legislation enacted in 1982, annual appropriations are made from the earnings reserve of the Permanent Fund, first for dividends to qualified Alaska residents and then for inflation-proofing. Between 1982 and 2016, \$24.4 billion of dividends (\$2,072 per person in fiscal year 2015) were paid to Alaska residents and \$16.2 billion of Permanent Fund income has been added to principal for inflation proofing purposes; for fiscal year 2015, the inflation proofing transfer was \$624 million, up from the fiscal year 2014 amount of \$546 million. For fiscal year 2016, the dividend was reduced to \$1,022 per person, and there was no appropriation and therefore no transfer for inflation-proofing. In addition to the statutorily directed inflation proofing transfers, the Legislature has made special appropriations from the earnings reserve account of the Permanent Fund to the principal balance of the Permanent Fund, totaling approximately \$4.2 billion as of June 30, 2016.

If any income remains after these transfers (except the portion transferred to the Alaska Capital Income Fund as described below), it remains in the Permanent Fund earnings reserve as undistributed income. The Legislature may appropriate funds from the earnings reserve at any time for any other lawful purpose. The principal portion of the Permanent Fund, estimated at approximately \$44.2 billion as of June 30, 2016, down from approximately \$45.6 billion as of June 30, 2015, may not be spent without amending the State Constitution. The earnings reserve portion of the Permanent Fund, estimated at approximately \$8.6 billion as of June 30, 2016, up from approximately \$7.2 billion as of June 30, 2015, may be spent with a simple majority vote of the Legislature. The estimated Permanent Fund balance as of June 30, 2016 was approximately \$52.8 billion.

During fiscal years 1990 through 1999, the Permanent Fund received dedicated State revenues from settlements of a number of North Slope royalty cases (known collectively as *State v. Amerada Hess, et al.*). The total of the settlements and retained income thereon, as of June 30, 2016, is approximately \$424 million. Earnings on the settlements are excluded from the dividend calculation in accordance with State law and beginning in 2005, the settlement earnings have been appropriated to the Alaska Capital Income Fund, a subfund within the General Fund. Funds in the Alaska Capital Income Fund and interest thereon, estimated at approximately \$18.1 million as of June 30, 2016, down from approximately \$24.0 million as of June 30, 2015, are unrestricted and have been appropriated for capital expenditures.

Table 3

State of Alaska
Available Funds and Recurring and Discretionary General Fund Expenditures
Fiscal Years Ended June 30, 2007 – 2016
FORECAST FOR Fiscal Years Ending June 30, 2017 – 2018
(\$ millions)

| Fiscal Year | General Purpose Unrestricted Revenue (\$ mil)⁽¹⁾ | Recurring & Discretionary General Fund Expenditures (\$ mil)⁽²⁾ | Unrestricted Revenue Surplus/ (Deficit) (\$ mil) | Ending SBRF Reserves Available Balance (\$ mil) | Ending CBRF Reserves Available Balance (\$ mil)⁽⁵⁾ | Permanent Fund Earnings Reserve Balance (\$ mil)⁽⁶⁾ | Oil Price Forecasts (\$/barrel) | ANS Oil Production Forecasts (thousands of barrels per day) |
|---------------------|--|---|---|--|--|---|--|--|
| 2007 | \$ 5,159 | \$ 4,272 | \$ 886 | \$ – | \$ 2,549 | \$ 4,132 | \$ 61.60 | 734.2 |
| 2008 | 10,749 | 5,473 | 5,256 | 1,000 | 5,601 | 4,969 | 96.51 | 715.4 |
| 2009 | 5,831 | 6,000 | (169) | 1,000 | 7,114 | 4,401 | 68.34 | 692.8 |
| 2010 | 5,515 | 4,995 | 520 | 1,000 | 8,664 | 1,210 | 74.90 | 642.6 |
| 2011 | 7,673 | 6,355 | 1,318 | 1,248 | 10,330 | 2,308 | 94.49 | 599.9 |
| 2012 | 9,485 | 7,252 | 2,233 | 2,683 | 10,642 | 2,081 | 112.65 | 579.3 |
| 2013 | 6,929 | 7,455 | (526) | 4,711 ⁽³⁾ | 11,564 | 4,054 | 107.57 | 531.6 |
| 2014 | 5,394 | 7,314 | (1,920) | 2,791 ⁽³⁾ | 12,780 | 6,211 | 107.57 | 531.1 |
| 2015 | 2,257 | 4,760 | (2,503) ⁽⁴⁾ | 288 ⁽³⁾ | 10,101 | 7,162 | 72.58 | 501.5 |
| 2016 | 1,540 | | | – | | | 43.18 | 514.9 |
| Projected | | | | | | | | |
| 2017 ⁽⁷⁾ | 1,447 | | | – | | | 46.81 | 490.3 |
| 2018 ⁽⁷⁾ | 1,624 | | | – | | | 54.00 | 455.6 |
| 2019 | 1,873 | | | – | – | | | |
| 2020 | 1,907 | | | – | – | | | |
| 2021 | 1,944 | | | – | – | | | |
| 2022 | 2,012 | | | – | – | | | |

- (1) State of Alaska Department of Revenue – Tax Division. Fiscal year 2017 and fiscal year 2018 forecasts based on Fall 2016 Revenue Sources Book [and SLA2016 Enacted Fiscal Summary released by the Office of Management and Budget July 1, 2016].
- (2) This table represents one possible scenario using unaudited information available for fiscal year 2016, enacted budget information for fiscal year 2017, and general revenue and expenditure projections as of the Fall 2016 Revenue Sources Book release. General Fund expense projections are held constant at approximately the same authorization to spend as the enacted fiscal summary released by the Office of Management and Budget on July 1, 2016. Projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in fiscal year 2017 or any future year. The forecasts show that unanticipated budget shortfalls during the period could be filled primarily through use of reserve funds; however, other fiscal tools including spending reductions would likely be used in addition to, or in lieu of, reserve funds.
- (3) Includes net transfer from the Statutory Budget Reserve Fund to the General Fund reconciled at the release of the fiscal year 2013 through fiscal year 2015 CAFR.
- (4) The Statutory Budget Reserve Fund was used to balance the fiscal year 2015 deficit, with \$288 million remaining at June 30, 2015. In fiscal year 2016, the remaining balance in the Statutory Budget Reserve Fund was transferred to the General Fund. The net draw for fiscal year 2016 depicts a use of the Constitutional Budget Reserve Fund, after depletion of the remaining Statutory Budget Reserve Fund balance. Actual funding sources to balance any forecasted budget shortfall shown in the table may differ.
- (5) The Constitutional Budget Reserve Fund available balance represents the historical market values and the projected fiscal year 2017 through [2020] market values based on the Fall 2016 Revenue Sources Book. Forecasted fiscal year-end asset balances do not include forecasted amounts for investment earnings and tax and royalty settlements.

- (6) Fiscal year 2016 Permanent Fund Earnings Reserve Balance is an unaudited value as of June 30, 2016. Fiscal year 2017 through [2020] Permanent Fund Earnings Reserve Balance uses mid-case projections as of Alaska Permanent Fund Corporation's [June 30, 2016] Monthly Financial Report, and forecasts available at this time. The anticipated deficit for [fiscal year 2019] reflects a projected appropriation from the Permanent Fund Earnings Reserve to balance the State budget; however, Alaska Permanent Fund Corporation's forecasted net change to the assigned balance has not been adjusted for a draw from the fund. [Includes estimated draw from the Permanent Fund Earnings Reserve Balance in the amount of \$2.7 billion in fiscal year 2019.]
- (7) All forecasts and projections derived from the Fall 2016 Revenue Sources Book, with best unaudited information available at that time for fiscal year 2016.

Source: State of Alaska Department of Revenue.

Revenue Forecasts

The State regularly prepares revenue forecasts for planning and budgetary purposes. Table 4 provides a summary of the State's most recent forecasts for revenues subject to appropriation from fiscal year 2017 through 2022. As noted, the State has customarily restricted certain revenue sources each fiscal year by practice. Such revenue is nonetheless available for appropriation (although the State has never previously appropriated such restricted revenue).

Of necessity, such forecasts include assumptions about events that are not within the State's control. The forecast oil production volumes include only production expected from projects currently under development or evaluation. The forecast does not include any revenues that could be received if a natural gas pipeline is constructed. In making its forecasts, the State makes assumptions about, among other things, the demand for oil and national and international economic factors and assumes that the Legislature will not amend current laws to change materially the sources and uses of State revenue and that no major calamities such as earthquakes or catastrophic damage to TAPS will occur. Portions of TAPS are located in areas that have experienced and may in the future again experience major earthquakes. Actual revenues and expenditures will vary, perhaps materially, from year to year, particularly if any one or more of the assumptions upon which the State's forecasts are based proves to be incorrect or if other unexpected events occur. The State will next update its forecast in Spring 2017. See "Government Funds" for a description of some of the actions the State can take when revenues prove to be lower than expected.

Table 4

State of Alaska Revenues Subject to Appropriation
Forecast Summary for Fiscal Years 2017 through 2022 ⁽¹⁾
(millions)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Petroleum Revenue</u> | | | | | | |
| Unrestricted General Fund | \$ 966.9 | \$ 1,099.8 | \$ 1,344.2 | \$ 1,330.6 | \$ 1,378.3 | \$ 1,430.6 |
| Royalties to Alaska Permanent Fund beyond 25% dedication ⁽²⁾ | 49.7 | 52.7 | 60.0 | 68.1 | 74.8 | 73.7 |
| Tax and Royalty Settlements to CBRF | 350.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Subtotal Petroleum Revenue | \$ 1,366.5 | \$ 1,252.5 | \$ 1,504.2 | \$ 1,528.7 | \$ 1,553.2 | \$ 1,604.3 |
| <u>Non-Petroleum Revenue</u> | | | | | | |
| Unrestricted General Fund | \$ 461.2 | \$ 491.9 | \$ 487.0 | \$ 495.5 | \$ 505.5 | \$ 512.7 |
| Designated General Fund | 411.3 | 414.4 | 417.7 | 421.2 | 424.9 | 428.8 |
| Royalties to Alaska Permanent Fund beyond 25% dedication ⁽²⁾ | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Tax and Royalty Settlements to CBRF | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Subtotal Non-Petroleum Revenue | \$ 874.8 | \$ 908.6 | \$ 907.0 | \$ 919.0 | \$ 932.7 | \$ 943.8 |
| <u>Investment Revenue</u> | | | | | | |
| Unrestricted General Fund | \$ 18.6 | \$ 32.4 | \$ 41.5 | \$ 50.7 | \$ 59.8 | \$ 69.0 |
| Designated General Fund | 45.4 | 39.1 | 39.9 | 40.6 | 41.3 | 42.1 |
| Constitutional Budget Reserve Fund | 99.9 | 51.4 | 7.9 | — | — | — |
| Alaska Permanent Fund – Realized Earnings | 2,756.2 | 3,318.4 | 3,469.0 | 3,631.0 | 3,801.0 | 3,973.0 |
| Subtotal Investment Revenue | \$ 2,920.1 | \$ 3,441.3 | \$ 3,558.3 | \$ 3,722.3 | \$ 3,902.1 | \$ 4,084.1 |
| Total Revenue Subject to Appropriation | \$ 5,165.5 | \$ 5,602.3 | \$ 5,969.5 | \$ 6,170.0 | \$ 6,388.0 | \$ 6,632.2 |
| Unrestricted General Fund Revenue | 1,446.7 | 1,624.1 | 1,872.7 | 1,906.7 | 1,943.7 | 2,012.4 |
| Additional Revenue Available/Subject to Appropriation | \$ 3,718.8 | \$ 3,978.2 | \$ 4,096.8 | \$ 4,263.3 | \$ 4,444.3 | \$ 4,619.8 |

(1) This figure presents only the largest known categories of current year funds subject to appropriation. A comprehensive review of all accounts in the state accounting system would likely reveal additional revenues subject to appropriation beyond those identified here.

(2) Estimated based on deposit in Permanent Fund minus 25 percent of total royalties.

Source: State of Alaska Department of Revenue.

Public Debt and Other Obligations of the State

State debt includes general obligation bonds and revenue anticipation notes, and State supported debt includes lease-purchase financings and revenue bonds. The State also provides guarantees and other support for certain debt and operates a School Debt Reimbursement Program and Capital Project Debt Reimbursement Program. These programs do not constitute indebtedness of the State but do provide, annually on a subject-to-appropriation basis, financial support for general obligation bonds of State agencies and local governments.

Outstanding State Debt. State debt includes general obligation bonds and revenue anticipation notes. The State Constitution provides that general obligation bonds must be authorized by law and be ratified by the voters and permits authorization of general obligation bonds only for capital improvements. The amount and timing of a bond sale must be approved by the State Bond Committee. For both general obligation bonds and revenue anticipation notes, the full faith, credit and resources of the State are pledged to the payment of principal and interest. If future State revenues are insufficient to make

the required principal and interest payments, the State is legally required to raise taxes to provide sufficient funds for this purpose. \$[] million of general obligation bonds were outstanding as of June 30, 2016. See “Summary of Outstanding Debt” and Tables 5 through 7.

On November 6, 2012, voters approved \$453,499,200 in general obligation bonds for the purpose of design and construction of State transportation projects. To date, the State has obtained \$[343,150,957.77] in funding to satisfy the \$435,499,200 authorization, leaving \$[110,348,242.23] of unissued authority.

The following other debt and debt programs of the State were outstanding as of June 30, 2016, except as otherwise noted.

State Guaranteed Debt. The only purpose for which State guaranteed debt may be issued is for payment of principal and interest on revenue bonds issued for the Veterans Mortgage Program by the Alaska Housing Finance Corporation (“AHFC”) for the purpose of purchasing mortgage loans made for residences of qualifying veterans. These bonds are general obligation bonds of the State, and they must be authorized by law, ratified by the voters and approved by the State Bond Committee. These bonds are known as “double-barrel bonds” because there are two distinct forms of security behind the bonds. The principal source of payment is the revenue stream generated by payments on the mortgage loans made from bond proceeds. Additional security to bondholders is provided by the general obligation pledge of the State to make the required debt service payments in the event that pledged revenues from mortgage repayments are insufficient. Approximately \$[] million of State guaranteed debt was outstanding as of June 30, 2016. On November 7, 2010 the voters approved an additional \$600 million of State guaranteed veterans mortgage bonds, and the total current unissued authorization is \$[694.6] million. In July 2016, the AHFC issued \$50 million aggregate principal amount of State-guaranteed bonds to purchase additional mortgage loans and to refund a portion of the guaranteed bonds that remained outstanding.

State Supported Debt. State supported debt is debt for which the ultimate source of payment is, or may include, appropriations from the General Fund. The State does not pledge its full faith and credit to State supported debt, but another public issuer may have pledged its full faith and credit to it. State supported debt is not considered “debt” under the State Constitution, because the State’s payments on this debt are subject to annual appropriation by the Legislature. Voter approval of such debt is not required. State supported debt includes lease-purchase financing obligations (including lease revenue capital lease bonds and certificates of participation issued by lessors of facilities used by the State) and the share of municipal general obligation bonds issued for school construction and other capital projects that is reimbursable by the State on a subject to appropriation basis under the School Debt Reimbursement Program and Capital Project Reimbursement Program. Approximately \$[] million of State supported debt was outstanding as of June 30, 2016. As of June 30, 2016, the State was obligated on \$[] million of lease purchase financing obligations and \$[] million of capital lease bonds. As of June 30, 2016, the State was reimbursing local municipalities on the debt service of \$[] million of bonds under the School Debt Reimbursement Program and \$[] million of bonds under the Capital Project Reimbursement Program.

House Bill 23 was approved in the 2014 Legislative Session authorizing the issuance of up to \$300 million of State supported toll revenue bonds for the purpose of partially funding a bridge from Anchorage to the Matanuska-Susitna Borough across Knik Arm. In addition to the State supported toll revenue bonds, the bill authorized the State to enter into a maximum sized TIFIA Loan and contemplated the appropriation of additional Federal Highway Administration funds to the project. Toll collections were to be pledged to the TIFIA Loan first and the State toll revenue bonds second. Based on projected cash flows the State expected to pay debt service on the State toll revenue bonds using annual State

appropriations. The project was on hold pursuant to Administrative Order 271 and was discontinued in July 2016.

State Moral Obligation Debt. State moral obligation debt consists of bonds issued by certain State agencies or authorities that are secured, in part, by a debt service reserve fund benefited by a discretionary replenishment provision that permits, but does not legally obligate, the Legislature to appropriate to the particular State agency or authority the amount necessary to replenish the debt service reserve fund up to its funding requirement (generally the maximum amount of debt service required in any year). State moral obligation debt is payable in the first instance by revenues generated from loan repayments or by the respective projects financed from bond proceeds. Among those State agencies that have the ability to issue State moral obligation debt are: Alaska Aerospace Development Corporation (“AADC”), which has not issued any debt; Alaska Energy Authority (“AEA”); AHFC; the Alaska Industrial Development and Export Authority (“AIDEA”); the Authority; and Alaska Student Loan Corporation (“ASLC”). Approximately \$[] million of State moral obligation debt was outstanding as of June 30, 2016.

State and University Revenue Debt. This type of debt is issued by the State or by the University of Alaska but is secured only by revenues derived from projects financed from bond proceeds. Revenue debt is not a general obligation of the State or of the University and does not require voter approval. Such debt is authorized by law and issued by the State Bond Committee or the University of Alaska for projects approved by the Commissioner of Transportation and Public Facilities or the University of Alaska. This type of debt includes Sportfish Revenue Bonds, International Airports Revenue Bonds, various University Revenue Bonds and Notes and Toll Facilities Revenue Bonds. A total of \$[] million of revenue bonds, including \$[] million of University of Alaska Revenue Bonds, Notes and Contracts, \$[] million of Sportfish Revenue Bonds and \$[] million of Airport Revenue Bonds were outstanding as of June 30, 2016.

State Agency Debt. State agency debt is secured by revenues generated from the use of bond proceeds or the assets of the agency issuing the bonds. This debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges. As of June 30, 2016, there was \$[] million aggregate principal amount of State agency debt outstanding, consisting of \$[] million AHFC obligations; \$[] million Authority Coastal Energy Bonds payable to the National Oceanic and Atmospheric Administration; \$[] million Alaska Railroad Notes; and \$[] million of obligations of the Northern Tobacco Securitization Corporation.

State Agency Collateralized or Insured Debt. As security for State agency collateralized or insured debt, the particular State agency pledges mortgage loans or other securities as primary security which, in turn, may be 100 percent insured or guaranteed by another party with a superior credit standing. This upgrades the credit rating on the debt and lowers the interest cost and makes it less likely that the State will assume responsibility for the debt. As of June 30, 2016, the total principal amount outstanding of State agency collateralized or insured debt was approximately \$[] million, consisting of approximately \$[] million issued by AHFC and \$[] million issued by AIDEA.

Future State Supported Pension Obligation Bonds. Through the Alaska Pension Obligation Bond Corporation (the “Corporation”), a public corporation created in 2008 within the DOR, the State is authorized to issue up to \$5.0 billion of bonds and/or enter into contracts with governmental employers to finance the payment by governmental employers of their shares of the unfunded accrued actuarial liabilities of the State retirement systems. The State is required by statutes enacted in 2008 to make supplemental contributions to the State retirement system defined benefit plans to reduce the plans’ unfunded actuarial liabilities, and on September 26, 2016, the Board of Directors of the Corporation

authorized the Corporation to issue up to \$3.5 billion of pension obligation bonds to finance for the State a portion of its required contributions to the Public Employees' Retirement System and the Teachers' Retirement System. The issuance of pension obligation bonds is subject to market conditions and to a number of statutory requirements. If issued, the bonds would be payable from payments to be made by the State, acting by and through the Department of Administration, the administrator of the Public Employees' Retirement System and the Teachers' Retirement System, subject to annual appropriation by the Legislature.

Summary of Outstanding Debt. Table 5 lists, by type, the outstanding State-related debt as of June 30, 2016.

Table 5
State of Alaska Debt and State-Related Debt by Type as of June 30, 2016
(\$ millions)

| | Principal Outstanding | Interest to Maturity | Total Debt Service to Maturity |
|--|-----------------------|----------------------|--------------------------------|
| State Debt | | | |
| State of Alaska General Obligation Bonds | \$ 753.8 | \$ 274.0 | \$ 1,027.8 |
| State Supported Debt | | | |
| State Supported Debt Authorized by Law | | | |
| Capital Leases | 244.0 | 121.1 | 365.1 |
| Lease-Purchase Financings | 30.8 | 11.5 | 42.3 |
| State Reimbursement of Municipal Debt | | | |
| School Debt Reimbursement | 895.4 | 300.6 | 1,196.0 |
| Capital Projects | 35.8 | 14.7 | 50.5 |
| Total State Supported Debt | 1,206.0 | 447.9 | 1,653.9 |
| State Guaranteed Debt | | | |
| Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans Mortgage Program) | 56.9 | 37.7 | 94.6 |
| State Moral Obligation Debt | | | |
| Alaska Municipal Bond Bank: | | | |
| 1976, 2005 & 2010 General Resolution General Obligation Bonds | 940.9 | 471.2 | 1,412.1 |
| Alaska Energy Authority: | | | |
| Power Revenue Bonds #1 through #6 | 71.2 | 14.1 | 85.3 |
| Alaska Student Loan Corporation: | | | |
| Student Loan Revenue Bonds | 68.2 | 4.6 | 72.8 |
| Education Loan Backed Notes | 120.1 | 1.7 | 121.8 |
| Student Capital Project Revenue Bonds | — | — | — |
| Total State Moral Obligation Debt | 1,200.4 | 491.6 | 1,692.0 |
| State Revenue Debt | | | |
| Sportfish Revenue Bonds | 31.3 | 7.6 | 38.9 |
| International Airports Revenue Bonds | 487.3 | 215.5 | 702.8 |
| University of Alaska Debt | | | |
| University of Alaska Revenue Bonds | 132.2 | 41.2 | 173.4 |
| University Lease Liability and Notes Payable | 41.0 | 18.4 | 59.4 |
| Installment Contracts | 1.2 | 0.1 | 1.3 |
| Total University of Alaska Debt | 174.4 | 59.7 | 234.1 |
| Total State Revenue and University Debt | 693.0 | 275.2 | 968.2 |
| State Agency Debt | | | |
| Alaska Housing Finance Corporation | | | |
| Commercial Paper | 16.9 | N/A | 16.9 |
| Alaska Municipal Bond Bank Coastal Energy Loan Bonds | 10.4 | 2.4 | 12.8 |
| Alaska Railroad | 119.9 | 19.9 | 139.8 |
| Northern Tobacco Securitization Corporation | | | |
| 2006 Tobacco Settlement Asset-Backed Bonds | 346.6 | 394.9 | 741.5 |
| Total State Agency Debt | 493.8 | 417.2 | 911.0 |
| State Agency Collateralized or Insured Debt | | | |
| Alaska Housing Finance Corporation ⁽¹⁾ | | | |
| Collateralized Home Mortgage Bonds & Mortgage Revenue Bonds: | | | |
| 2002 Through 2011 (First Time Homebuyer Program) | 852.5 | 477.6 | 1,330.1 |
| General Mortgage Revenue Bonds II – 2012 | 129.1 | 67.4 | 196.5 |
| Government Purpose Bonds 1997 & 2001 | 128.2 | 33.9 | 162.1 |
| State Capital Project Bonds, 2002-2011 | 202.2 | 76.3 | 278.5 |
| State Capital Project Bonds, II 2012-2014 | 771.4 | 300.9 | 1,072.3 |
| Alaska Industrial Development and Export Authority: | | | |
| Revolving Fund Bonds | 64.7 | 21.8 | 86.5 |
| Power Revenue Bonds, First Series (Snettisham Hydro Project) | 70.0 | 42.5 | 112.5 |
| Total State Agency Collateralized or Insured Debt | 2,218.1 | 1,020.4 | 3,238.5 |
| Total State and State Agency Debt | 6,622.0 | | |
| Municipal Debt | | | |
| School G.O. Debt | 1,299.4 | N/A | N/A |
| Other G.O. Debt | 1,095.5 | N/A | N/A |
| Revenue Debt | 954.3 | N/A | N/A |
| Total Municipal Debt | 3,349.2 | | |
| Less: State Reimbursable Debt and Capital Leases ⁽²⁾ | (1,175.2) | | |
| Less: Alaska Municipal Bond Bank Debt included in Municipal Debt | (927.7) | | |
| | 1,246.3 | | |
| | \$7,868.3 | | |
| Total Alaska Public Debt | | | |

(1) University debt owed to AHFC is double counted in detail, but eliminated from Total Alaska Public Debt.

(2) Reimbursable school G.O. debt is included in "State Supported Debt"; Capital Leases are included in "State Agency Collateralized or Insured Debt and Municipal Debt"; State Reimbursement of Capital Projects is included in "University of Alaska Debt" and "Municipal Debt."

Sources: Annual reports and financial statements of AHFC, Authority, AIDEA, AEA, University of Alaska, Alaska Railroad, Alaska International Airport System and directly from agencies.

General Fund Supported Obligations. General Fund support is pledged and required for only a portion of the total outstanding Alaska Public Debt. General Obligation Bonds are unconditionally supported, and Certificates of Participation and Capital Leases are subject-to-appropriation commitments with associated obligations. The School Debt Reimbursement Program and Capital Project Reimbursement Program provide discretionary annual payments to municipal issuers for qualified general obligation bonds that are eligible by statute to participate in the programs. The State fully funded these programs between fiscal year 1993 and fiscal year 2016. [Disclose curtailment in fiscal year 2017.] Tables 6 and 7 show the historical level of support the State has provided from the General Fund for these outstanding obligations and the forecast support required to retire the outstanding obligations. See “Recent Developments.”

Table 6
State of Alaska
Debt Service on State Supported Debt
Fiscal Years Ended June 30, 1986 – 2016
(\$ millions)

| Fiscal Year | State G.O. | University Revenue Debt | Lease / Purchase | Capital Leases ⁽¹⁾ | School Debt Reimbursement ⁽²⁾ | Capital Project Reimbursements | Total Debt Service ⁽³⁾ |
|-------------|------------|-------------------------|------------------|-------------------------------|--|--------------------------------|-----------------------------------|
| 1986 | \$163.2 | \$ 1.8 | \$ 10.4 | — | \$ 106.3 | — | \$281.7 |
| 1987 | 154.9 | 1.8 | 11.2 | — | 115.8 | — | 283.7 |
| 1988 | 147.9 | 1.5 | 11.2 | — | 109.5 | — | 270.1 |
| 1989 | 135.5 | 2.2 | 11.7 | — | 110.2 | — | 259.6 |
| 1990 | 120.3 | 2.2 | 12.0 | — | 107.4 | — | 241.9 |
| 1991 | 95.5 | 2.7 | 12.0 | — | 116.3 | — | 226.5 |
| 1992 | 68.2 | 2.7 | 11.8 | — | 127.3 | — | 210.0 |
| 1993 | 59.7 | 3.7 | 11.2 | — | 124.9 | — | 199.5 |
| 1994 | 33.8 | 0.2 | 8.5 | — | 98.6 | — | 141.1 |
| 1995 | 22.9 | 0.2 | 10.2 | — | 93.7 | — | 127.0 |
| 1996 | 21.3 | 0.2 | 9.6 | — | 79.2 | — | 110.3 |
| 1997 | 16.5 | 0.2 | 9.5 | — | 62.5 | — | 88.7 |
| 1998 | 14.2 | 0.2 | 10.3 | — | 61.6 | — | 86.3 |
| 1999 | 8.8 | 0.2 | 15.5 | — | 62.0 | — | 86.5 |
| 2000 | 2.4 | — | 15.0 | \$ 3.5 | 64.4 | — | 85.3 |
| 2001 | — | — | 12.8 | 3.5 | 52.1 | — | 68.4 |
| 2002 | — | — | 12.4 | 8.8 | 54.1 | — | 75.3 |
| 2003 | — | — | 11.9 | 8.8 | 52.0 | — | 72.7 |
| 2004 | 19.4 | — | 12.1 | 8.8 | 60.6 | \$ 0.3 | 101.2 |
| 2005 | 46.4 | — | 13.8 | 8.8 | 71.4 | 0.2 | 140.6 |
| 2006 | 45.7 | — | 13.2 | 8.6 | 81.1 | 2.2 | 150.8 |
| 2007 | 45.0 | — | 13.2 | 9.1 | 86.9 | 3.6 | 157.8 |
| 2008 | 44.4 | — | 11.1 | 11.8 | 91.1 | 4.2 | 162.7 |
| 2009 | 43.9 | — | 8.0 | 20.4 | 93.3 | 3.9 | 169.5 |
| 2010 | 48.9 | — | 8.0 | 29.6 | 95.8 | 5.2 | 187.5 |
| 2011 | 53.8 | — | 8.0 | 29.7 | 99.6 | 5.3 | 196.4 |
| 2012 | 78.8 | — | 7.5 | 29.1 | 100.9 | 5.8 | 222.1 |
| 2013 | 76.3 | — | 7.0 | 28.6 | 112.3 | 5.4 | 229.6 |
| 2014 | 76.2 | — | 1.8 | 28.7 | 109.8 | 5.5 | 222.0 |
| 2015 | 73.5 | — | 1.8 | 28.7 | 118.0 | 5.5 | 227.5 |
| 2016 | [] | — | [] | [] | [] | [] | [] |

(1) Three facilities are financed with capital leases.

(2) See “Recent Developments.”

(3) Totals may not foot due to rounding.

Source: State of Alaska.

Table 7
State of Alaska
Existing Debt Service on Outstanding State Supported Debt
Fiscal Years Ending June 30, 2017 – 2040
(\$ millions)

| Fiscal Year | State G.O. ⁽¹⁾ | University Revenue Debt | Lease / Purchase | Capital Leases ⁽²⁾ | School Debt Reimbursement ⁽³⁾ | Capital Project Reimbursements | Total Debt Service ⁽⁴⁾ |
|-------------|---------------------------|-------------------------|------------------|-------------------------------|--|--------------------------------|-----------------------------------|
| 2017 | \$78.0 | | \$2.9 | \$23.7 | \$105.5 | \$4.6 | \$214.7 |
| 2018 | 85.2 | | 2.9 | 23.7 | 101.1 | 4.6 | 217.5 |
| 2019 | 84.8 | | 2.9 | 20.2 | 94.3 | 4.5 | 206.7 |
| 2020 | 73.3 | | 2.9 | 20.2 | 90.0 | 4.5 | 190.9 |
| 2021 | 72.5 | | 2.9 | 20.2 | 88.2 | 3.6 | 187.4 |
| 2022 | 62.0 | | 2.9 | 20.2 | 76.3 | 3.6 | 165.0 |
| 2023 | 61.9 | | 2.9 | 20.2 | 72.3 | 3.6 | 160.9 |
| 2024 | 61.7 | | 2.9 | 20.2 | 61.2 | 3.6 | 149.6 |
| 2025 | 56.8 | | 2.9 | 20.2 | 51.7 | 3.6 | 135.2 |
| 2026 | 56.6 | | 2.9 | 20.2 | 40.4 | 2.8 | 122.9 |
| 2027 | 56.1 | | 2.9 | 20.9 | 36.3 | 2.6 | 118.8 |
| 2028 | 55.6 | | 2.9 | 20.9 | 33.6 | 2.2 | 115.2 |
| 2029 | 55.4 | | 2.9 | 17.6 | 28.3 | 0.9 | 105.1 |
| 2030 | 55.5 | | | 17.6 | 25.2 | 0.9 | 99.2 |
| 2031 | 43.8 | | | 17.6 | 22.7 | 0.4 | 84.5 |
| 2032 | 43.7 | | | 17.6 | 19.4 | | 80.7 |
| 2033 | 43.6 | | | 17.6 | 12.4 | | 73.6 |
| 2034 | 43.5 | | | | 9.9 | | 53.4 |
| 2035 | 20.3 | | | | | | 20.3 |
| 2036 | 20.5 | | | | | | 20.5 |
| 2037 | 0.1 | | | | | | 0.1 |
| 2038 | 12.0 | | | | | | 12.0 |
| 2039 | | | | | | | |
| 2040 | | | | | | | |

(1) State G.O. debt service is net of federal subsidies for interest expenses from 2016 through 2038.

(2) A prison, a building and a parking garage have been financed with capital leases.

(3) Information as of June 30, 2016, provided by the Department of Education & Early Development. See “Recent Developments.”

(4) Fiscal Year 2017 – 2034 payments are estimated. Totals may not foot due to rounding.

Source: State of Alaska.

Recent Developments. In 2015, the Legislature passed a moratorium on all school debt reimbursement agreements for municipal general obligation bond authorizations approved after January 1, 2015. See “State Debt Capacity.” On June 29, 2016, the Governor signed the fiscal year 2017 budgets transmitted by the Legislature and exercised his line-item veto authority to reduce the fiscal year 2017 appropriations by approximately \$1.29 billion, including a 25 percent reduction in the School Debt Reimbursement Program. See “Government Budgets and Appropriations – General Appropriations.”

Payment History. The State has never defaulted on its bond obligations nor has it ever failed to appropriate funds for any outstanding securitized lease obligations.

State Debt Capacity. The State has historically used the ratio of debt service to revenue as a guideline for determining debt capacity of the State. This policy was established due to the State’s relatively small population and high per capita revenue due to oil resource-generated revenue. Historically

the State's policy has been that debt service should not exceed five percent of unrestricted revenue when considering only general obligation bonds and certificates of participation that are State supported. More recently, the State has included more discretionary General Fund supported obligations and programs, including the School Debt Reimbursement Program, the Capital Project Reimbursement Program and certain capital leases. With the more inclusive funding, the State's policy allows the annual payments on these items to range up to eight percent of unrestricted revenue. Access to the School Debt Reimbursement Program was restricted during the 1990s due to State budgetary pressure. Beginning in the early 2000s, and carrying through 2014, the program was generally available for any qualified municipal project. In 2015, the Legislature passed a moratorium on State school debt reimbursement, and the Alaska Department of Education and Early Development will not issue agreements to reimburse debt from school bonds that voters approved after January 1, 2015, and before July 1, 2020. In addition, on June 29, 2016, the Governor signed the fiscal year 2017 budgets transmitted by the Legislature and exercised his line-item veto authority to reduce the fiscal year 2017 appropriations by approximately \$1.29 billion, including a 25 percent reduction in the School Debt Reimbursement Program.

Table 8
State of Alaska
Debt Service on Outstanding Obligations to Unrestricted Revenues ⁽¹⁾
Fiscal Years Ended June 30, 1986 – 2016
FORECAST FOR Fiscal Years Ending June 30, 2017 – 2026

| Fiscal Year | Unrestricted Revenues (\$millions) | State G.O. Debt Service | State Supported Debt Service | Total State Debt Service | School Debt Reimbursement | Total Debt Service to Revenues |
|-----------------|------------------------------------|-------------------------|------------------------------|--------------------------|---------------------------|--------------------------------|
| 1986 | 3,075.5 | 5.3% | 0.4% | 5.7% | 3.5% | 9.2% |
| 1987 | 1,799.4 | 8.6 | 0.7 | 9.3 | 6.4 | 15.8 |
| 1988 | 2,305.8 | 6.4 | 0.6 | 7.0 | 4.7 | 11.7 |
| 1989 | 2,186.2 | 6.2 | 0.6 | 6.8 | 5.0 | 11.9 |
| 1990 | 2,507.2 | 4.8 | 0.6 | 5.4 | 4.3 | 9.6 |
| 1991 | 2,986.6 | 3.2 | 0.5 | 3.7 | 3.9 | 7.6 |
| 1992 | 2,462.6 | 2.8 | 0.6 | 3.4 | 5.2 | 8.5 |
| 1993 | 2,352.0 | 2.5 | 0.6 | 3.2 | 5.3 | 8.5 |
| 1994 | 1,652.5 | 2.0 | 0.5 | 2.6 | 6.0 | 8.5 |
| 1995 | 2,082.9 | 1.1 | 0.5 | 1.6 | 4.5 | 6.1 |
| 1996 | 2,133.3 | 1.0 | 0.5 | 1.5 | 3.7 | 5.2 |
| 1997 | 2,494.9 | 0.7 | 0.4 | 1.1 | 2.5 | 3.6 |
| 1998 | 1,825.5 | 0.8 | 0.6 | 1.4 | 3.4 | 4.7 |
| 1999 | 1,348.4 | 0.7 | 1.2 | 1.8 | 4.6 | 6.3 |
| 2000 | 2,081.7 | 0.1 | 0.9 | 1.0 | 3.1 | 4.1 |
| 2001 | 2,281.9 | 0.0 | 0.7 | 0.7 | 2.3 | 3.0 |
| 2002 | 1,660.3 | 0.0 | 1.3 | 1.3 | 3.3 | 4.5 |
| 2003 | 1,947.6 | 0.0 | 1.1 | 1.1 | 2.7 | 3.7 |
| 2004 | 2,345.6 | 0.8 | 0.9 | 1.7 | 2.6 | 4.3 |
| 2005 | 3,188.8 | 1.5 | 0.7 | 2.2 | 2.2 | 4.4 |
| 2006 | 4,200.4 | 1.1 | 0.6 | 1.7 | 1.9 | 3.6 |
| 2007 | 5,158.6 | 0.9 | 0.5 | 1.4 | 1.7 | 3.1 |
| 2008 | 10,728.2 | 0.4 | 0.3 | 0.6 | 0.8 | 1.4 |
| 2009 | 5,831.2 | 0.8 | 0.6 | 1.3 | 1.6 | 2.9 |
| 2010 | 5,513.3 | 0.9 | 0.8 | 1.7 | 1.7 | 3.4 |
| 2011 | 7,673.0 | 0.7 | 0.6 | 1.3 | 1.3 | 2.6 |
| 2012 | 9,485.2 | 0.8 | 0.4 | 1.3 | 1.1 | 2.3 |
| 2013 | 6,928.5 | 1.1 | 0.6 | 1.7 | 1.6 | 3.3 |
| 2014 | 5,390.1 | 1.4 | 0.7 | 2.1 | 2.0 | 4.1 |
| 2015 | 2,257.3 | 3.3 | 1.6 | 4.8 | 5.2 | 10.1 |
| 2016 | 1,539.8 | | | | | |
| Forecast | | | | | | |
| 2017 | 1,446.7 | | | | | |
| 2018 | 1,624.1 | | | | | |
| 2019 | 1,872.7 | | | | | |
| 2020 | 1,906.7 | | | | | |
| 2021 | 1,943.7 | | | | | |
| 2022 | 2,012.4 | | | | | |
| 2023 | 2,039.0 | | | | | |
| 2024 | 2,074.5 | | | | | |
| 2025 | 2,174.3 | | | | | |
| 2026 | 2,224.8 | | | | | |

(1) Unrestricted revenue projection for fiscal years 2017 through 2026 is based on Fall 2016 Revenue Sources Book. Debt Service is based on June 30, 2016 balances, not adjusted for cash defeasances.

Source: State of Alaska.

Litigation

At any given time, including the present, there are numerous civil actions filed by or pending against the State, which could positively or negatively impact revenue sources or cash flow of the State. A short description of such material litigation is provided below.

Oil and Gas Tax Litigation.

Administrative Litigation. There are a number of disputed tax assessments against oil and gas corporations that are at the administrative level and thus confidential under AS 43.05.230(a). The assessments involve the corporate income tax (AS 43.20) or the oil and gas production tax (AS 43.55). Because the taxpayers, the tax years, and the amounts involved are confidential, a more detailed description of the cases cannot be given. Due to the confidentiality statute and because the disputed tax assessments are ongoing, the State cannot give an estimate of how much is expected to be eventually recovered through settlement, the administrative proceedings, or adjudication. Moneys recovered are required to be transferred to the Constitutional Budget Reserve Fund.

Litigation Pending Before the Alaska Superior Court and the Alaska Supreme Court.

Elf Aggregation. Five owners of working interests in certain participating areas of the Prudhoe Bay Unit appealed DOR's January 12, 2005 decision aggregating participating areas of the Prudhoe Bay Unit for purposes of calculating Economic Limit Factors used to determine production tax liability. On October 13, 2012, the Office of Administrative Hearings granted DOR's motion for summary judgment, concluding that the aggregation decision did not constitute a regulation requiring compliance with the Administrative Procedure Act. On January 9, 2013, these working interest owners appealed the Office of Administrative Hearings decision to the State Superior Court. The Superior Court affirmed the Office of Administrative Hearings decision in its entirety. The owners have appealed to the State Supreme Court (S-15891). Briefing is complete and oral argument was held on February 17, 2016. This appeal is worth several hundred million dollars in production tax revenues and interest. Any settlement on this appeal would be deposited into the Constitutional Budget Reserve Fund.

Pipeline Tariff Litigation.

The State is a party to TAPS tariff litigation matters before the Regulatory Commission of Alaska (RCA) and the Federal Energy Regulatory Commission (FERC) regarding the TAPS carriers' inclusion in the tariff rate of several hundred million dollars of imprudent expenditures made since 2004 on the TAPS Strategic Reconfiguration (SR) project. The factual bases and legal standards for the SR imprudence challenge are substantially the same at the RCA and FERC. After a concurrent hearing with the RCA and FERC, the FERC Administrative Law Judge issued a favorable decision that removed these imprudent costs from the carriers' rate base for 2009 and 2010, which will in turn lower tariff rates. The ALJ's decision was recently upheld by the full FERC Commission. The RCA adopted the FERC decision on February 29, 2016. The TAPS owners have filed petitions for review of the FERC decision before the United States Court of Appeals for the D.C. Circuit. The impact of this decision would result in payment to the State of additional royalties and production taxes for 2009 and 2010 of over \$200 million. Tariff filings for 2011 and forward were held in abeyance pending a decision on the 2009 and 2010 tariff issues, but have recently been revived for settlement discussion and potential hearings. The result of these tariff proceedings may require additional refunds of production taxes and royalties by the State, but the amounts, if any, are unknown at this time.

Education and Public School Trust Matters.

Citizens Alliance Protecting School Lands v. State (Public School Trust). A non-profit corporation organized to advocate for school lands issues filed suit for declaratory relief against the State in April 2013. The complaint alleges numerous breaches of trust by the State respecting public school trust lands. The Superior Court on January 20, 2015 granted the State summary judgment dismissing most allegations including that the State has not obtained from the United States all school trust land entitlements under the Alaska Statehood Act. The parties stipulated that the remaining claims involve whether the Territory of Alaska before statehood breached trust duties to obtain more school trust lands, whether the State is responsible for any breach by the Territory, and whether any of the State's defenses apply. The State's second summary judgment motion to dismiss all remaining trust claims was granted on March 2016 and final judgment in favor of the State was entered on April 14, 2016. An appeal has been filed.

Environmental Litigation.

State of Alaska v. Williams Alaska Petroleum, Inc. et al., Case No. 4FA-14-01544CI Consolidated. This case involves litigation over environmental liabilities for the North Pole Refinery, including sulfolane pollution of the North Pole drinking water aquifer. Defendant refinery operators have asserted counterclaims seeking contribution from the State due to its role of lessor of the property during 27 out of 37 years the refinery operated.

Tort Claims.

The Attorney General's Office is involved in defending numerous tort claims asserted against the State and agencies. No estimate can be given as to the likelihood or financial effect on the outcome of such claims.

Medicaid Payment Rate Appeals.

The Attorney General's Office is involved in defending numerous Medicaid payment rate appeals filed by providers. No estimate can be given as to the likelihood or financial effect on the outcome of such appeals.

Employment Claims.

The Attorney General's Office is involved in defending numerous employment-related claims filed by present or former employees. No estimate can be given as to the likelihood or financial effect on the outcome of such claims.

Tobacco Company Litigation.

In 1998, Alaska was among 46 states that entered into a settlement of claims against the nation's major tobacco companies. The companies agreed to pay \$4.5 billion in 2000 with annual increases until payments reach \$9 billion in 2019 and each year thereafter. The State's share, based upon its proportionate tobacco consumption, is about .034 percent of the yearly payment. This income stream is indefinite as long as Americans continue to consume tobacco products.

The Legislature authorized the State to sell to the AHFC 80 percent of the State's annual settlement income. AHFC's purchase was financed through the issuance of revenue bonds by the Northern Tobacco Securitization Corporation (the "NTSC"), a subsidiary the AHFC established and to

which the right to receive 80 percent of the settlement revenues was transferred. In 2006, NTSC issued additional revenue bonds to refinance its purchase of the State's annual settlement income. The NTSC is using the income stream to pay debt service on the bonds. When the bonds are paid, the settlement income reverts to the State. The State used the bond proceeds to pay for a variety of construction and maintenance projects including rural schools, ports and harbors.

The master settlement agreement provides for a payment adjustment mechanism that, when triggered, could result in the impairment of the State's right to receive the remaining 20 percent of revenue that is not pledged to the NTSC and the NTSC could suffer a revenue shortfall. This payment adjustment mechanism has been triggered for the years 2003-2010. States that have diligently enforced their qualifying statute are exempted from the application of this adjustment mechanism. In July 2010, an arbitration commenced regarding which states "diligently enforced" their qualifying statutes in 2003. During that arbitration, Alaska and 15 other states/territories received notice that the participating manufacturers (tobacco companies that joined the master settlement agreement) no longer contested their diligence, rendering those states exempt from the 2003 adjustment. Arbitration for the 2004 adjustment is currently underway. The State believes it is exempt from the adjustment for 2004 and subsequent years. The State continues to monitor and participate in this case.

Other Litigation or Threatened Litigation.

Legislative Information Office (LIO) Anchorage. The Legislative Affairs Agency (LAA) entered into an agreement in 2013 with its landlord 716 West Fourth Avenue LLC (716) to renovate and expand the existing LIO office in Anchorage and to extend the lease for the premises. A suit was brought in Superior Court by a plaintiff claiming the lease extension was not in compliance with State procurement law. In a March 2016 decision, the Superior Court entered a declaratory judgment finding the lease invalid under State procurement law. A motion for reconsideration was denied by the Superior Court, and neither LAA nor 716 filed an appeal.

During the 2016 legislative session, the Legislature considered purchasing the current LIO office building and also considered leaving the LIO and purchasing or leasing another building in Anchorage. The fiscal year 2017 budget includes an appropriation for the purchase of the other building, which the Governor did not veto. On May 10, 2016, EverBank submitted a letter to the LAA contending that the LAA may be in breach of contract if it does not fulfill its lease of the LIO. The bank asserts it loaned \$28,600,000 to the landlord (716) to finance renovations to the LIO building and in connection with that lending agreement, the LAA entered into a subordination, non-disturbance and attornment agreement (SNDA) with the landlord that the bank relied upon.

Permanent Fund Dividend Litigation. On September 16, 2016, three plaintiffs sued the State and the Alaska Permanent Fund Corporation challenging the authority of the Governor to reduce appropriations for the fall 2016 dividend by exercise of his constitutional line item veto power. Plaintiffs contend that payment of the dividend is exempt from the appropriations and veto process under the permanent fund amendment to the state constitution and the amount instead is dictated by a statutory formula. The State will assert that dividends are not exempt from the constitutional requirements and that appropriations are required to pay dividends. The Governor's veto reduced the appropriation for dividends to \$695,650,000 which will result in a dividend of slightly over one thousand dollars to eligible Alaska residents. The plaintiffs contend that the amount that should have been made available for dividends is approximately \$1,362,000,000 which would have resulted in a dividend of approximately twice the amount that will be paid based on the appropriation and veto. The complaint was filed in Superior Court. On October 4, 2016, at the request of all parties, the Superior Court granted a joint motion for expedited consideration.

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APPENDIX G

PROPOSED FORMS OF AUTHORITY CONTINUING DISCLOSURE CERTIFICATE AND 2017A BORROWER CONTINUING DISCLOSURE AGREEMENT

APPENDIX H

DTC AND ITS BOOK-ENTRY SYSTEM

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2017A Bonds. The Series 2017A 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 certificate will be issued for each maturity of the Series 2017A Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. 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 rating from Standard & Poor’s 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.

3. Purchases of Series 2017A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2017A 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 Series 2017A 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 Series 2017A Bonds, except in the event that use of the book-entry system for the Series 2017A Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2017A 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 Series 2017A 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 Series 2017A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017A 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.

5. 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. Beneficial Owners of Series 2017A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2017A Bond documents. For example, Beneficial Owners of Series 2017A Bonds may wish to ascertain that the nominee holding the Series 2017A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2017A 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017A 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 Authority 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 Series 2017A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the Series 2017A 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 Authority 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 Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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.

9. DTC may discontinue providing its services as depository with respect to the Series 2017A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2017A Bond certificates are required to be printed and delivered.

10. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2017A Bond certificates will be printed and delivered to DTC.

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

**Yukon Kuskokwim Health Corporation
Paul John Calricaraq Project**

Master Finance Schedule

| DECEMBER | | | | | | | JANUARY | | | | | | | FEBRUARY | | | | | | | MARCH | | | | | | |
|----------|----|----|----|----|----|----|---------|----|----|----|----|----|----|----------|----|----|----|----|----|----|-------|----|----|----|----|----|----|
| S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M | T | W | T | F | S |
| | | | | 1 | 2 | 3 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | 1 | 2 | 3 | 4 | | | | 1 | 2 | 3 | 4 | |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 25 | 26 | 27 | 28 | 29 | 30 | 31 | 29 | 30 | 31 | | | | | 26 | 27 | 28 | | | | | 26 | 27 | 28 | 29 | 30 | 31 | |

| <u>Role</u> | <u>Party</u> | <u>Identifier</u> |
|---------------------------------|--|-------------------|
| Borrower | Yukon Kuskokwim Health Corporation | YKHC |
| Permanent Lender #1 | Alaska Municipal Bond Bank Authority | AMBB |
| Permanent Lender #2 | United States Department of Agriculture | USDA |
| Construction BAN Conduit Issuer | Alaska Industrial Development & Export Authority | AIDEA |
| YKHC Financial Advisor | PFM Financial Advisors, LLC | YKFA |
| Bond Bank Financial Advisor | Western Financial Group | BBFA |
| Bond Bank Underwriter | J.P. Morgan Securities LLC | JPM |
| Construction Note Underwriter | Raymond James & Associates, Inc. | RJ |
| YKHC Bond Counsel | Birch Horton Bitner & Cherot | Birch |
| Bond Bank Bond Counsel | Orrick Herrington & Sutcliffe LLP | Orrick |
| AIDEA Bond Counsel | Law Offices of Kenneth E. Vassar, LLC | Vassar |
| USDA Counsel | Office of the General Counsel | OGC |
| Bond Bank Underwriter Counsel | Foster Pepper | Foster |
| Construction Note UW Counsel | Kutak Rock | Kutak |
| Working Group | All of the Above | WG |
| | | |

| <u>Date</u> | <u>Task</u> | <u>Responsibility</u> |
|---------------------|--|----------------------------|
| Fri, 12/16 | YKHC Master Trust Indenture circulated | Birch |
| Tues, 12/20 | Bond Bank legal documents circulated | Orrick |
| Wed, 12/21 | Circulation of Master Trustee RFP | YKHC, YKFA |
| Wed, 12/28 | Comments due on documents | WG |
| Mon, 1/3/2017 | Working Group conference call | WG |
| Tues, 1/3 | Series Resolution, Loan Agreement and Credit Summary Update to Bond Bank Board | BBBC, BBFA |
| Mon, 1/9 | Selection of Master Trustee confirmed | YKHC, YKFA |
| Tues, 1/10 | Bond Bank Board meeting to approve Resolution | WG (as appropriate) |
| Fri, 1/13 | Distribute 1 st draft Preliminary Official Statement (POS) to WG | Foster |
| Tues, 1/17 | Comments on 1 st draft POS | WG |
| Tues, 1/17 | Wells Fargo Series 2015 consent received | YKHC |
| Fri, 1/20 | Distribute 2 nd draft POS to WG | Foster |
| Fri, 1/20 | Forward POS, Bond Resolution, Loan Summary to rating agencies | BBFA |
| Tues, 1/24 | Comments on 2 nd draft of POS, Bond Resolution | WG |
| Thurs, 1/26 | Distribute 3 rd draft POS to WG | Foster |
| Week of 1/30 | Rating agency presentation | AMBB, BBFA |
| Tues, 1/31 | Comments due on 3 rd draft POS | WG |
| Tues, 2/14 | Receive ratings | AMBB, BBFA |
| Thurs, 2/16 | Post POS to internet | Foster |

| DECEMBER | | | | | | | JANUARY | | | | | | | FEBRUARY | | | | | | | MARCH | | | | | | |
|----------|----|----|----|----|----|----|---------|----|----|----|----|----|----|----------|----|----|----|----|----|----|-------|----|----|----|----|----|----|
| S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M | T | W | T | F | S | S | M | T | W | T | F | S |
| | | | | 1 | 2 | 3 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | 1 | 2 | 3 | 4 | | | | 1 | 2 | 3 | 4 | |
| 4 | 5 | 6 | 7 | 8 | 9 | 10 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 25 | 26 | 27 | 28 | 29 | 30 | 31 | 29 | 30 | 31 | | | | | 26 | 27 | 28 | | | | | 26 | 27 | 28 | 29 | 30 | 31 | |

| Wed, 3/1 | Bond Sale/Pricing | AMBB, BBFA, YKHC, YKFA, JPM |
|---------------|--|-----------------------------|
| Fri, 3/3 | Distribute draft Final Official Statement (FOS) | UC |
| Mon, 3/6 | Comments due on FOS, deliver FOS to printer | WG |
| Mon, 3/6 | Transcript preparation commences | Orrick, Birch |
| Wed, 3/8 | Closing documents distributed to WG | Orrick, Birch |
| Mon, 3/20 | Pre-Closing (Seattle) | WG |
| Tues, 3/21 | Final Closing (Seattle) | WG |
| | | |
| | BAN ISSUANCE (Preliminary) | |
| | | |
| January, 2017 | 1 st Draft BAN POS and Bond Purchase Agreement circulated | Kutak |
| February | AIDEA legal documents circulated | Vassar, Kutak |
| February | Comments due on legal documents | WG |
| February | Working Group conference call | WG |
| February | 2 nd draft POS and Bond Purchase Agreement circulated | Kutak |
| February | 2 nd draft legal documents circulated | Vassar |
| March | Resolution, POS, Bond Purchase Agreement to AIDEA Board | Vassar, Kutak |
| March | AIDEA Board Meeting to approve Resolution | WG (as appropriate) |
| May | Comments to 2 nd draft POS and Bond Purchase Agreement | WG |
| May | Forward POS, Resolution, USDA takeout letter to rating agency | Kutak |
| May | Distribute 3 rd draft POS and Bond Purchase Agreement | Kutak |
| May | Comments to 3 rd Draft of documents | WG |
| May | Receive rating | RJ, YKFA |
| June | Post POS to internet | Kutak |
| June | Bond Sale/Pricing | RJ, YKHC, YKFA |
| June | Distribute draft FOS | Kutak |
| June | Comments due on FOS | WG |
| June | Closing documents distributed to WG | Vassar, Kutak |
| June | Pre-Closing (location TBD) | WG (as needed) |
| June | Final Closing (location TBD) | WG (as needed) |
| | | |

**YUKON-KUSKOKWIM HEALTH CORPORATION
PAUL JOHN CALRICARAQ PROJECT WORKING GROUP**

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Alaska Municipal Bond Bank
Application Credit Review Summary Page

| | |
|---|--|
| Applicant: | City of Unalaska |
| Loan Amount: | \$35,000,000 |
| Project Type: | Port improvements |
| Project Description: | Major work items include demolition of two existing pile supported docks, removal and salvage of existing armor rock, and installation of a new sheet pile bulkhead, compaction, structural steel, new pile supported concrete crane rail beams, interlocking concrete block pavement surface, and high mast lighting. |
| Term of Loan: | 25 years |
| Revenues Pledged to Loan: | Ports and Harbors Enterprise Fund net system revenues |
| Forecast FY 2016 Pledged Revenues: | \$3.24 million |
| Estimated Maximum Annual Parity Debt Service: | \$2.39 million |
| Total Bond Bank Annual Debt Service: | \$5.89 million |
| Forecast FY 2016 Debt Service Coverage Ratio: | 1.36 |
| Most Recent FY State-Shared Revenues (SSR): | \$18.6 million |
| Debt Service Coverage of AMBB DS from SSR: | 3.15x |
| Loan Subject to State Debt Service Reimbursement: | no |
| Estimated Borrower Savings (Gross): | \$2.68 million |
| Estimated Borrower Savings (Present Value): | \$1.72 million |
| No Litigation Letter Received: | no |

Loan Application Evaluation

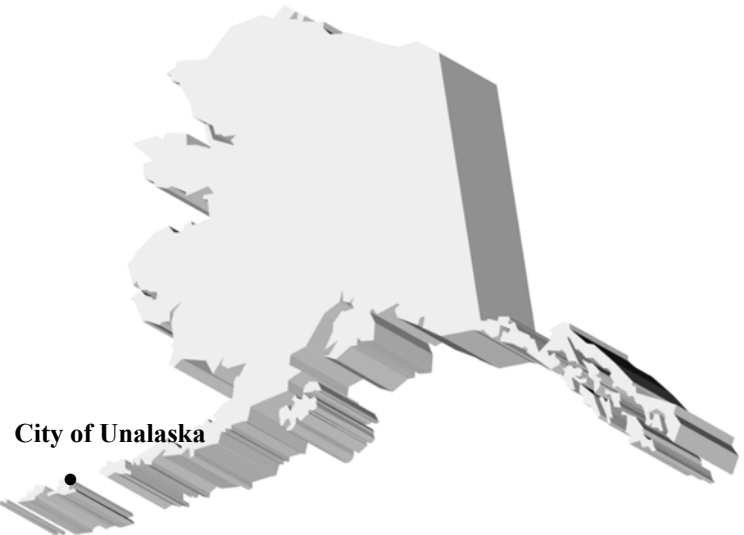
City of Unalaska Marine Center Project

Introduction

The City of Unalaska (the “City”) has submitted an application to the Alaska Municipal Bond Bank (the “Bond Bank”) for a Revenue Bond Loan not to exceed \$35,000,000. This loan will provide funding for an upgrade of the City’s Unalaska Marine Center port facilities. The following is our overview of this application and the security provisions of the loan.

The Project

The International Port of Dutch Harbor is the only deep-draft, ice-free port in the Arctic Region and is strategically located on the Great Circle Route. Dutch Harbor is the marine cargo hub for the State of Alaska, providing connectivity to freight from the region and mainland Alaska to domestic and international markets. The port serves as a fueling hub for the Aleutian Islands and provides fuel storage for the Arctic. This activity feeds a marine corridor that connects the State of Alaska and the Arctic Region to the rest of world. The City-owned Unalaska Marine Center (UMC) captures approximately 45% of this activity annually.



Arctic development is impacting the port and the Unalaska Marine Center is heavily used for vessels supporting oil and gas exploration and production in the Arctic. Additional capacity to service this sector is critical. Arctic development is in its infancy and the demand for staging and vessel support is on the rise. This project will add flexibility to the suite of services provided to the marine sector, including expanded capacity for the number and size of vessels served, uplands for staging and warehousing, and an increased load capacity for cargo transfers. The UMC’s current users need the space now; as Arctic development continues, more space will be needed.

The UMC has 7 berthing positions with 2,051 linear feet. Positions 3 and 4 are aging and inadequate to meet the service demands of cargo, fueling, and passenger vessels. Position 3 is a deteriorating wood pile-supported dock with no adjacent uplands and Position 4 is a steel pile-supported dock with severe erosion problems in areas that cannot be accessed for repair. The design for the UMC Expansion and Replacement Project removes these two aging positions and constructs a new dock with open cell sheet-pile, creating 940 feet of working dock face with minimum water depth of 45’, and 1.8 acres of uplands with load capacity to handle major cargos, fueling and larger vessels.

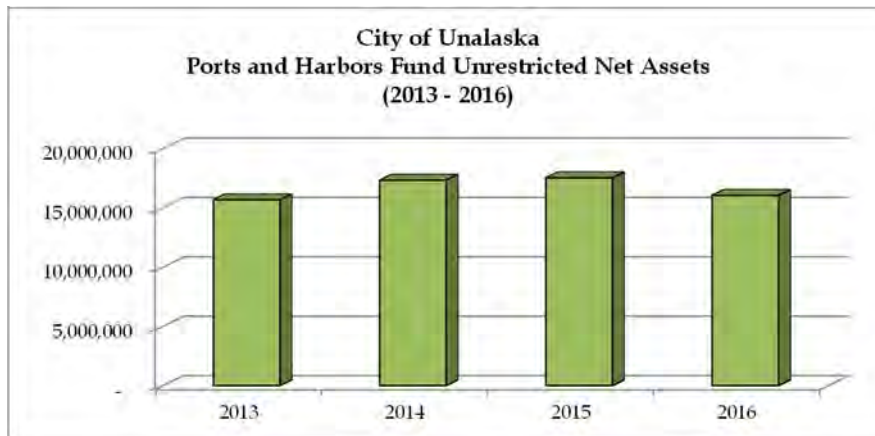
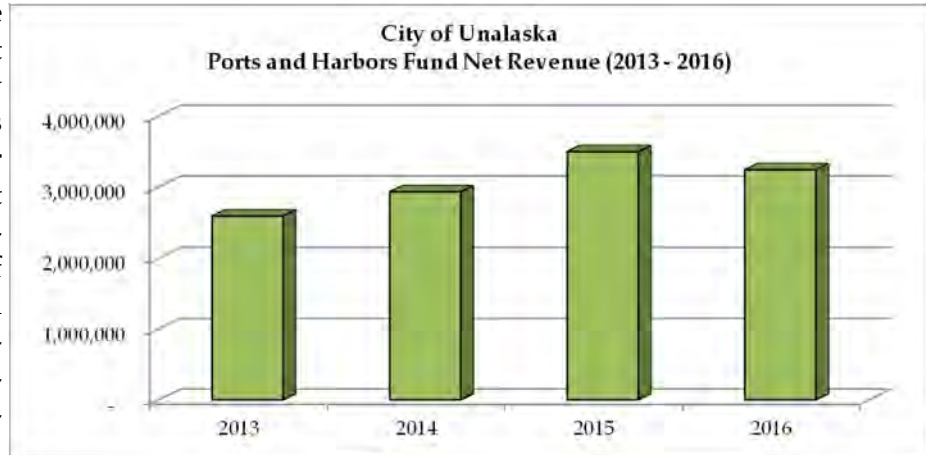
The limited capacity of these two positions has resulted in displaced vessels, inefficient operations, and exposure to injuries. A recent cost benefit analysis from Northern Economics confirmed that the expansion and replacement project provides economic benefits by eliminating displaced vessels and the associated costs. The completion of this project is estimated to reduce displaced vessels’ marine fuel consumption by 490,000 gallons annually.

The City owns the UMC tidelands and this project aligns with all local planning ordinances and permitting; no additional land acquisitions or right-of-way negotiations are required. This project has gone through extensive review by the Unalaska City Council and the public, and the design is complete. The required NEPA process is also complete, bid documents are ready, and all permits are in hand to begin construction in Spring of 2017.

Ports and Harbors Enterprise Fund Financial Results

The Unalaska Ports and Harbors Fund accounts for operations at six marine facilities at the International Port of Dutch Harbor. These include the United States Coast Guard Dock, the Unalaska Marine Center Dock, the Spit Dock, the Spit Light Cargo, Robert Storrs International Small Boat Harbor and Carl E. Moses Boat Harbor.

The graph to the right presents the net revenues produced by the Ports and Harbors Fund from fiscal year 2013 through 2016. Net revenues declined slightly in 2016 as a result of an increase in General and Administration expenses from \$728 thousand in 2015 to \$1.1 million in 2016.



The graph to the left presents the unrestricted net assets of the Ports and Harbors Fund for 2013 through 2016. The total unrestricted net assets have ranged from \$15.65 million to \$17.5 million. They amounted to slightly more than \$16 million at the close of fiscal year 2016.

The City reports that its last rate study was conducted in 2009 in conjunction with a 10-year development plan. Rates were reviewed by Northern Economics in 2014. City staff indicate that an update to the rate study will likely be performed in the next two years.

Security and Repayment

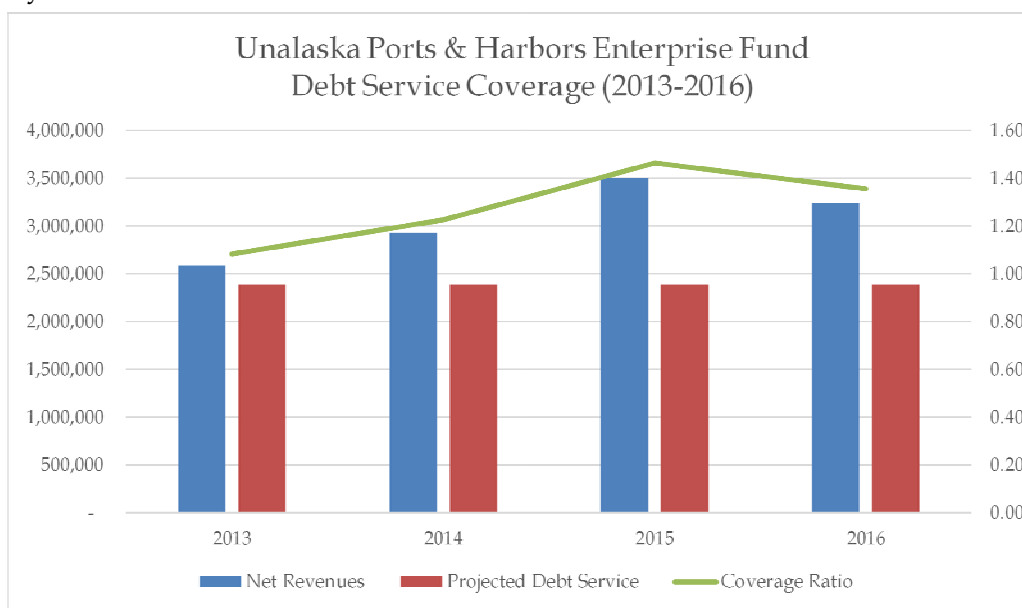
The bonds will be secured by net revenues of Unalaska's Ports and Harbors Fund. In addition, Unalaska will fund a debt service reserve fund to the maximum allowed under federal tax law. The reserve will be held by the Bond Bank's trustee.

The additional bonds test in the Unalaska revenue bond ordinance will require that, before additional parity bonds may be issued, the City must demonstrate that the net revenues of the Ports and Harbors Enterprise Fund are sufficient to cover existing and projected debt service by 1.25 times based on audited financial statements. Alternatively, Unalaska may issue additional parity bonds based on the report of an expert consultant that takes into account: 1) any additional net revenues to be derived by expansions or improvements to the harbor; and 2) revenue to be derived from any additional fees and charges that have been established by the City. The issuance of additional bonds based on a forecast will require prior consent by the Bond Bank.

In addition to the additional bonds test, the resolution adopted by the City with respect to the Bond Bank loan will require the City to maintain rates, fees and charges at City's ports and harbors sufficient to produce net revenue equal to at least 125% of the debt service on all outstanding bonds secured by the ports and harbors system net revenues. If pledged net revenues fall below that ratio, the rate covenant will require the City to retain a consultant to make recommendations as to operations and revision of schedules of rentals, tariffs, rates, fees and charges, and on the basis of such recommendations the City will establish fees and charges are necessary to meet the rate covenant.

The Bond Bank's loan agreement will specify that the City needs to make debt service payments on a monthly basis. The amount of the monthly payments will equal one-twelfth of the next principal payment due and one-sixth of the next interest payment due.

In 2010 the City borrowed \$5 million from the Bond Bank for the costs to design and construct all inner harbor infrastructure and uplands facilities needed to support the operation of the Carl E. Moses Boat Harbor. That loan carries the City's general obligation pledge, but the debt service has been paid from Ports and Harbors Enterprise Fund revenues. In order for the City to achieve adequate coverage associated with a revenue pledge, the payment of debt service on the 2010 loan will need to be treated as subordinate to the payment of debt service on the Bond Bank's 2017 loan. The graph below presents net revenues of the Ports and Harbors Enterprise Fund from 2013 through 2016, estimated debt service on the 2017 loan, and the resulting debt service coverage levels had the 2017 loan been outstanding during that four year period. If the debt service associated with the 2010 loan were included in the calculations above, debt service coverage would range between 0.92 and 1.24 times over the four year period. Those are coverage levels below the coverage requirements at which the Bond Bank has historically made revenue backed loans.



Future Capital Plans

The City has indicated that there are no capital projects contemplated that may involve the sale of bonds.

State-Aid Intercept

In addition to the revenue pledge by the City, the Bond Bank may intercept state-shared revenues that will otherwise flow to the City. This forms the ultimate security for this loan. The table below summarizes the revenues subject to intercept, along with the estimated annual debt service on the City's bonds. This table includes both the forecast debt service associated with this loan as well as prior bonds issued on behalf of the City by the Bond Bank.

| | |
|---|---------------------|
| Shared Taxes and Fees | \$11,820,247 |
| Dept. of Transportation Reimbursement | \$365,895 |
| Reimbursement and Other Education Funding | \$929,080 |
| Education Support Funding | \$3,982,354 |
| Matching Grants | \$0 |
| Community Jails | \$431,207 |
| PILT Transfers | \$829,334 |
| Revenue Sharing | \$199,453 |
| Total Revenue Subject to Intercept | \$18,557,570 |
| Fiscal Year 2018 Debt Service (includes 2017 Loans DS) | \$5,885,329 |
| Debt Service Coverage | 3.15 |

Estimated Borrower Savings

Savings to the City as a result of borrowing through the Bond Bank are estimated at approximately \$2.68 million or \$1.72 million on a present value basis. Savings are a result of lower costs of issuance than the City will face as a result of issuing through the Bond Bank, as well as lower assumed yields.

Statement of No Litigation

A no litigation letter has been received from Charles Cacciola with the firm Boyd, Chandler & Falconer, LLP, the General Counsel to the City of Unalaska. The letter is dated September 14, 2016 and is related to the City's filing of its 2016 audited financial statements. The letter does not specifically address the issues typically presented in the no litigation letter included as part of the Bond Bank's application process. Consequently, a no litigation letter from the City will be necessary prior to funding the loan.

Summary

Based on our assessment, the security offered by City, as set forth in the City's loan application and supplemental materials, provides sufficient security to justify approval of the application. The City's port facilities have demonstrated consistently solid financial performance, those facilities are fundamentally important to the State's economy, the pledge is enhanced by the coverage provided by revenues subject to State intercept, and the City will fund a debt service reserve fund that will be held by the Bond Bank's trustee.

For these reasons, we recommend approval of this loan application, subject to the receipt of a no litigation letter from the City. If you or any of the Board members have any questions regarding our analysis, please feel free to call me at (503) 719-6113.

For Western Financial Group, LLC

A handwritten signature in black ink, appearing to read "Chip Pierce", with a horizontal line extending to the right.

Chip Pierce

APPENDIX

City of Unalaska Demographic Information

The City of Unalaska, incorporated as a first class city in 1942, is located on an island within an archipelago in the southwestern part of the state. The Bering Sea to the north is considered to have one of the most productive fisheries in the country. Located nearly 800 miles from Anchorage, the City of Unalaska, which serves a population of 4,768, currently occupies an area of 215 square miles, of which 46% is seawater. The City of Unalaska is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council. Annexation authority was exercised once in 1986.

The City of Unalaska has operated under the council-manager form of government since 1968. Policy-making and legislative authority are vested in a city council consisting of the mayor and six other members. The city council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. Council members are elected to serve three-year, staggered terms, with two council members elected every year. The mayor is also elected to serve a three-year term. The mayor and council members are all elected at large.

The City of Unalaska provides a full range of services including the following: police and fire protection; emergency medical services; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; electrical, water, wastewater, and landfill services; port, harbor, and airport terminal services; and limited housing for city employees. The City of Unalaska is also financially accountable for a legally separate school district, which is reported separately within the City of Unalaska's financial statements.

Unalaska is the number one fishing port in the nation in terms of tons of seafood landed and has been for 19 straight years, according to the most current report by the National Marine Fishery Service (NMFS) in 2015. A catch of 787.4 million pounds was landed in Unalaska in 2015, which is 13% of all Alaska landings, and 8% of the nation's landings with a value of \$218.2 million, positioning Unalaska as the number two port in value in the United States for income derived from fishing. In 2015, NMFS data shows that Alaska led all states in volume with landings of 6.03 billion pounds which is 62% of the nation's landings with a value of \$1.76 billion.

Because the City of Unalaska's economy centers on a single industry, seafood, the tax base is subject to change with fluctuations in fishery harvest levels. One mitigating factor to revenue volatility is the sustainability and good management of the fishery resources in both the state and federal waters. The continued use of management measures, such as rationalized fisheries, allow fishing and processing seasons throughout the year, providing the City a steady income stream from state and local seafood taxes.

Processed seafood products are sold both domestically and internationally. It is estimated that as much as 60% of Unalaska's fish products are exported, and as a consequence, changes in fisheries, currency rates, and markets around the world affect the local economy.

For example, the increase in allocations for the Barents Sea cod fishery off the coasts of Norway and Russia have resulted in less demand in Europe for cod and cod fillets from Alaska. Japan is the largest market for seafood produced in Alaska, closely followed by China. Currently, prices for Surimi are weak, therefore, the City anticipates decreased production of Surimi. The decrease in Surimi price has resulted in additional concern with the weak market for Pollock block production in Europe. The Pollock roe production will continue to be strong with the large Pollock allocation in the Bering Sea and Gulf of Alaska. However, with increased volume and low market prices due to currency issues, this will affect sales prices. The Pollock fillets are more valuable than Surimi, and demand for the fillets is expected to remain weak in Europe, but domestic production on cod is increasing with market prices improving.

Nearly 97% of the seafood sales tax comes from Pollock, Pacific Cod, Red King Crab, Snow Crab, Halibut, Sablefish, and Brown King Crab. According to City staff, the fisheries in the Bering Sea and Aleutian Islands are the best managed in the nation with no over-fished ground-fish species. The exception is a species of Pribilof Island Blue King Crab that is listed as over-fished. This is not due to fishery activity, but because of ecosystem changes. Harvest levels for Bering Sea Snow Crab will decrease for the 2017 season by 60% from 52 million pounds harvested in the 2015/2016 season to 21 million pounds during the 2016/2017 season. This is not due to overfishing but uncertainty of the data from the 2016 stock assessment surveys. The ex-vessel value to the Snow Crab fleet should increase due to the reduced allocation levels.

The ex-vessel value for the Snow Crab fishery hasn't been established at this time but the estimated ex-vessel value could be as high as \$50 million. The Bristol Bay Red King Crab stocks decreased 16% from 10 million pounds harvested in the 2015 season to 8.4 million pounds in the 2016 season. The ex-vessel value of the Bristol Bay Red King Crab fishery increased to a \$10.00 per pound price range for the 2016 fishing season, putting the total ex-vessel value of the fishery at \$84 million. The Bering Sea Bairdi Tanner Crab fishery was closed for the 2016/2017 season due to the stock assessment survey showing that the female Tanner Crab did not meet their threshold level percentage, which by regulation, the State of Alaska Department of Fish and Game has to close the fishery for the protection of the species. This is an ex-vessel value loss to the harvesters of \$50-60 million and certainly has revenue impacts to Unalaska with the loss of fish and sales taxes. The Aleutian Island Golden King Crab fishery remained stable for the 2016/17 season with a harvest level of 5.6 million pounds and an ex-vessel value increase to \$4.00 per pound, putting the total ex-vessel value of the fishery at \$23 million.



Application for Bonds

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase a revenue or general obligation bond issue of the applicant. This isn't considered a commitment on the part of the applicant or the Bond Bank. Additional information may be requested before a final recommendation.

| I. General Information | | | |
|--|--------------|--|-------------|
| A. Name of Governmental Unit (Applicant): | | | |
| City of Unalaska/Ports & Harbor Department | | | |
| B. Type of government (home rule, first class, authority, etc.): | | | |
| Home Rule | | | |
| C. Contact Person for the government: | | | |
| Name: | | Title: | |
| Nerahoo Hemraj | | Finance Director | |
| Address: | | City: | State: Zip: |
| 43 Raven Way-PO Box 610 | | Unalaska | AK 99685 |
| Phone: | Fax: | E-mail: | |
| 907-581-1251/ x 3111 | | nhemraj@ci.unalaska.ak.us | |
| D. Applicant's Bond Counsel: | | | |
| Name: | | Title: | |
| Marc R. Greenough | | Attorney | |
| Address: | | City: | State: Zip: |
| 1111 Third Avenue-Suite 3000 | | Seattle | WA 98101 |
| Phone: | Fax: | E-mail: | |
| 206-447-4400 | 206-447-9700 | marc.greenough@foster.com | |
| E. Applicant's Financial Advisor or Underwriter (if applicable): | | | |
| Name: | | Title: | |
| N/A | | | |
| Address: | | City: | State: Zip: |
| | | | |
| Phone: | Fax: | E-mail: | |
| | | | |

II. Issue Information

A. Total amount of bond purchase request:

\$35,000,000.00

B. Total term of requested loan:

25 years

C. Preferred principal and interest payment months:

principle
/interest

interest
only-\$5K

D. If a bond election is required, provide a copy of the bond election ordinance and ballot proposition. q Attached

If a bond election has been held, provide the votes for and against the issue(s):

| Yes: | No: | Percent of registered voters casting ballots: |
|------|-----|---|
| | | N/A |

Does the municipality intend to pledge any specific assets or taxes in addition to property tax?

N/A

E. Will you need interim financing?

No.

1. If applicable, provide interim financing information:

| Amount: | Maturity: | Rate: | Lender: |
|---------|-----------|-------|---------|
| | N/A | | |

2. Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing.

☐ Attached

F. Describe project to be financed, including the information requesting in 1-6. If this information is available in a project feasibility study, you may reference and attach it.

1. Are engineering and specifications completed?

☒ Yes ☐ No

2. If not, when are they projected for completion?

3. Have construction bids been awarded?

☐ Yes ☒ No

4. Are there additional state or local approvals required?

☐ Yes ☒ No

5. Describe timing/scheduling plan:

6. What is the projected completion date? 12/31/2018

G. Sources of uses of funds

Sources of Funds

| | |
|--------------------------|--------------|
| Bonds (this application) | \$35,000,000 |
| Federal Funds* | \$ |
| State Funds* | \$ |
| Applicant's Funds | \$10,000,000 |
| Other (specify) | \$ |
| Total: | \$45,000,000 |

Uses of Funds

| | |
|------------------|--------------|
| Construction | \$40,000,000 |
| Engineering | \$2,000,000 |
| Contingency | \$2,000,000 |
| Cost of Issuance | \$500,000 |
| Other | \$500,000 |
| Total: | \$45,000,000 |

*If federal or state funds are involved, provide a complete description of the status and uses of these funds.

None.

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:

All issuance costs.

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds.
☐ Attached--See attached CAFR

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? ☐ Yes ☐ No --No.
If yes, provide amount of financed, purpose and principal amount outstanding. \$

C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects? ☐ Yes ☐ No
If yes, please attach details. ☐ Attached Yes. See attached CAFR page.

D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds? ☐ Yes ☐ No--NO
If yes, please attach an explanation. ☐ Attached

E. Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds? ☐ Yes ☐ No--No
If yes, please attach an explanation. ☐ Attached

F. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued. ☐ Attached. None.

G. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy. ☐ Attached *N/A*

See CAFR
H. Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application.)

Are any of the community's major employers expected to make changes in work force or operations?
☐ Yes ☒ No
If yes, provide an explanations. ☐ Attached

J. Please provide population figures for your community for the last five years. Indicate the source of your figures.

| Year | Population | Source |
|------|------------|---|
| 2016 | 4550 | Estimate |
| 2015 | 4605 | Alaska Dept of Community & Economic Dev |
| 2014 | 4737 | Alaska Dept of Community & Economic Dev |
| 2013 | 4364 | Alaska Dept of Community & Economic Dev |
| 2012 | 4768 | Alaska Dept of Community & Economic Dev |

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years. ☐ Attached--

M. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been preformed). ☒ Attached

N. Provide your current year's budget. ☒ Attached

O. Provide your capital improvement plan. ☒ Attached

See CAFR
P. Provide any other financial or economic information that will assist evaluation of your application. ☒ Attached

IV. Legal Information

A. Provide a certificate of your legal counsel that establishes there is no litigation pending or threatened in any court in any

1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or

2. against your government or involving any of the property or assets of or under the control of your government, which, whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.

B. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.

C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation

The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge

Nerahoo Hemraj

Name (print)

Finance Director

Title

Signature

17-Jan-17

1/17/2017

Date of Application

Please return all applications to:
Deven Mitchell
Alaska Municipal Bond Bank Authority
Department of Revenue
PO Box 110405
Juneau, AK 99811-0405
(907)465-2388 phone
(907)465-2389 fax
deven_mitchell@revenue.state.ak.us

Alaska Municipal Bond Bank
Application Credit Review Summary Page

| | |
|---|---|
| Applicant: | City of Seward |
| Loan Amount: | \$3,000,000 |
| Project Type: | Road improvements |
| Project Description: | The City will apply the Bond Bank loan toward major road improvements that will provide paving in some areas that are currently unpaved, as well as remove and replace asphalt in several locations throughout the City. The road improvement projects will be jointly funded with federal DOT money and the State of Alaska Department of Transportation will manage engineering and project permitting. |
| Term of Loan: | 20 years |
| Revenues Pledged to Loan: | Property taxes |
| Most Recent FY Pledged Revenues: | \$1.0 million (property tax revenues) |
| Estimated Annual Debt Service (2017 Bonds): | \$220 thousand |
| Total Bond Bank FY 2018 Debt Service (all Bond Bank loans): | \$3.1 million |
| Most Recent FY State-Shared Revenues (SSR): | \$16.74 million |
| Debt Service Coverage of AMBB DS from SSR: | 5.39x |
| Loan Subject to State Debt Service Reimbursement: | no |
| Estimated Borrower Savings (Gross): | \$173 thousand |
| Estimated Borrower Savings (Present Value): | \$120 thousand |
| No Litigation Letter Received: | yes |

Loan Application Evaluation

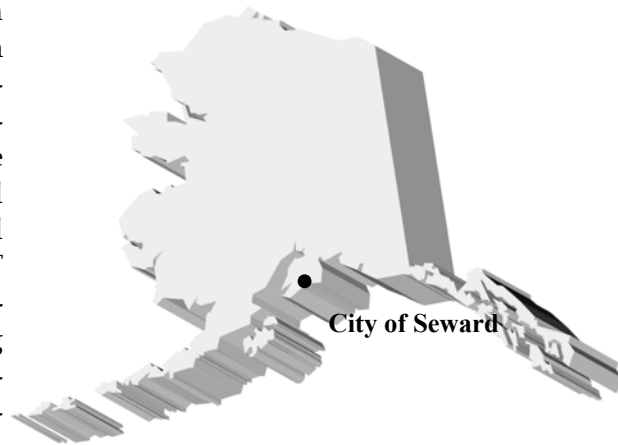
City of Seward Road Improvement Project

Introduction

The City of Seward (the “City”) has submitted an application to the Alaska Municipal Bond Bank (the “Bond Bank”) for a loan totaling \$3,000,000. The loan will be used for the City’s share of the costs associated with paving unpaved Seward roads and the removal and replacement of asphalt throughout the City. The following is our overview of this project and the security provisions associated with the loan.

The Project

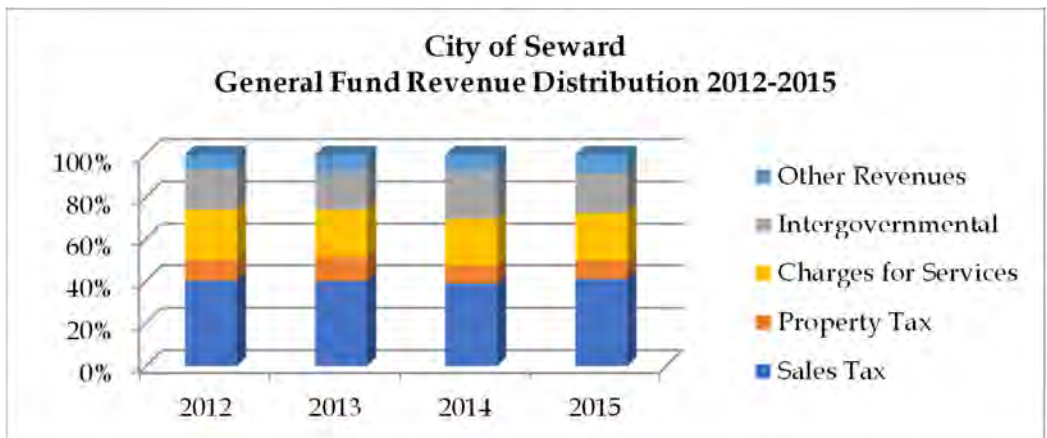
The City of Seward is partnering in a major road improvements project which will provide new paving in some areas currently unpaved, as well as remove and replace asphalt in numerous areas around the City. The project is primarily funded through federal transportation funds passed through the State of Alaska. Alaska DOT will manage the process on the City’s behalf, and DOT has completed engineering and specifications and has obtained necessary permits for the project. Bids are expected to be solicited in February or March 2017 for construction expected to conclude by the end of the summer of 2017.



The Seward City Council has authorized the City’s financial participation with general obligation bonds in an amount not to exceed \$3 million. In addition, the City previously appropriated \$300,000 toward the project. The total cost of the City’s participation will be determined upon acceptance of a contract solicited through competitive bids, as cost will determine the amount of the project the City will be able to fund.

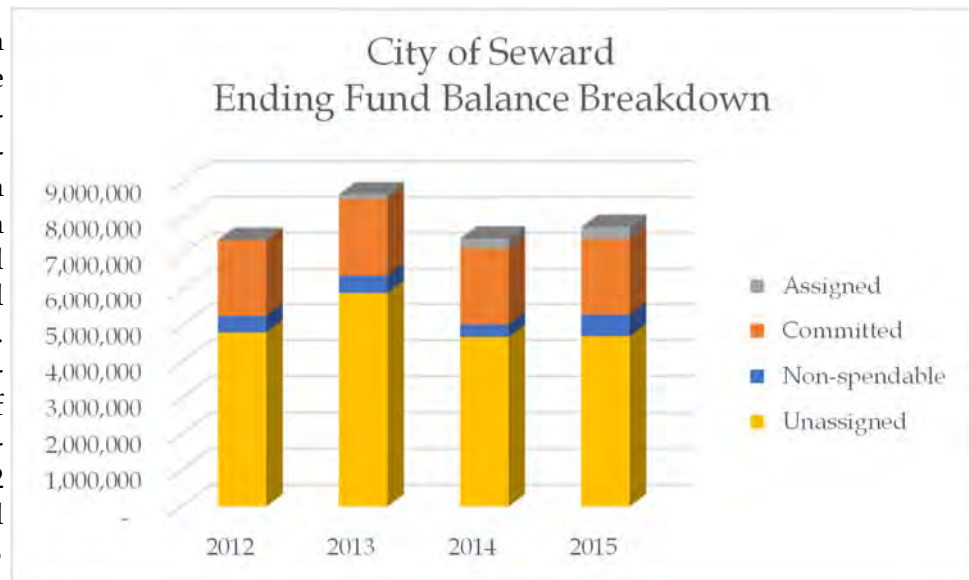
City Financial Position

The graph on the right summarizes the distribution of the primary sources of general fund revenues from 2012 through 2015. Sales taxes are the largest single source of General Fund revenues, accounting for 40% during the



period. Charges for services are next in importance at 23.2%. Intergovernmental, property taxes and Other Revenues provided 19.2%, 8.4% and 8.2%, respectively.

The graph on the right presents the City's fiscal year ending General Fund balance from 2012 through 2015. As the graph demonstrates, the fund balance has remained at very healthy levels. The General Fund balance as a percentage of General Fund expenditures over the 2012 through 2015 period has ranged from 64.8% to 82.5%.



The City's year end unassigned fund balance in fiscal year 2015 was approximately \$4.7 million, representing approximately 5 months of General Fund expenditures and transfers out. This is within the City's policy of maintaining an unassigned General Fund balance of between 3 to 6 months of General Fund operations.

Security Pledge and Proposed Repayment Structure

The Seward City Council authorized a bond proposition for the October 4, 2016 ballot seeking voter approval to issue up to \$3 Million in general obligation bonds of the City to finance a portion of the road improvement projects within Seward's city limits. Seward voters approved the financing for road improvements by a margin of 73% to 27%.

The City Council will determine how to repay annual debt payments. Options include: 1) property taxes -- equates to 0.72 increase in the mill rate (from 3.12 mills to 3.84 mills, equal to an increase of \$72 per \$100,000 in property value); or 2) sales tax -- equals one-fifth of one percent (0.002) sales tax (from 4.0% to 4.2%). In addition, the City is examining the possibility of some type of benefit-based taxation.

Much of the property within the City is governmentally-owned, and those governmental entities will be among the beneficiaries of the road improvements. Because the property tax only applies to privately-owned taxable property in the City, some in the City feel that a revenue generating mechanism that assigns costs of the project to all beneficiaries is more equitable than a property tax. Consequently, the City is evaluating the option of assessing a fee that corresponds to the benefit received by those that will be using the improved roads. Various mechanisms are under review by the City, including a linear foot calculation similar to what would be utilized for a local improvement district or special assessment district financing.

The City has secured approximately \$3 Million in state and federal funds to address a portion of the identified local road projects. The City has no outstanding debt related to roads or sidewalks; the only general obligation bonds are for the Library/Museum, with an outstanding balance of \$3.21 Million. That loan was funded with proceeds of the Bond Bank's 2011 Three bonds.

As described above, the source of repayment of the Bond Bank loan will be determined after project costs are established and the legal review of various revenue options is concluded. In any event, the full faith and credit and unlimited taxing ability is pledged to the Bond Bank loan.

Including the 2017 loan, the City would have \$34.6 million of debt outstanding to the Bond Bank, all of which has been issued under the 2005 General Obligation Resolution.

State Aid Intercept

The Bond Bank has the authority to intercept state revenues that would otherwise flow to an underlying borrower in the event that a borrower failed to make timely payment on a Bond Bank loan. The Bond Bank has never had to utilize this credit feature. The state aid intercept can be, however, a significant credit strength.

The table below presents the City's revenues subject to intercept compared to fiscal year 2018 debt service, including the 2017 loan and the City's other outstanding debt, both revenue and general obligation, held by the Bond Bank.

| | |
|---|---------------------|
| Shared Taxes and Fees | \$744,055 |
| Dept. of Transportation Reimbursement | \$0 |
| Reimbursement and Other Education Funding | \$0 |
| Education Support Funding | \$0 |
| Matching Grants | \$15,480,380 |
| Community Jails | \$368,952 |
| PILT Transfers | \$0 |
| Revenue Sharing | \$143,461 |
| Total Revenue Subject to Intercept | \$16,736,848 |
| Fiscal Year 2018 Debt Service (includes 2017 Loans DS) | \$3,106,581 |
| Debt Service Coverage | 5.39 |

Estimated Borrower Savings

Savings to the City as a result of borrowing through the Bond Bank are estimated at approximately \$173 thousand or \$120 thousand on a present value basis. Savings are a result of lower costs of issuance that the City will face as a result of issuing through the Bond Bank, as well as lower assumed yields.

Future Capital Plans

The City does not report having any plans at this time for additional capital investments that will require the issuance of bonds supported by City revenues.

Statement of No Litigation

The City's application was accompanied by a letter from William Earnhart of the law firm of Birch Horton Bittner & Cherot who serves as the City Attorney. The letter states, in part, "no litigation is pending or threatened affecting the corporate existence of the City... or seeking to restrain or enjoin the issuance, sale or delivery of the Bond... or in any way contesting or affecting the validity or enforceability of the Bond or the Loan Agreement... or... against the City or its assets... that could potentially affect the City's ability to repay the Bond either individually or in the aggregate resulting in a material change in the revenue, assets or financial condition of the City."

Summary

Based on our assessment the security offered by City, as set forth in the City's loan application and supplemental materials, provides sufficient security to justify approval of the application. The City's general fund has demonstrated health in recent years, and the City's commitment to maintaining a high General Fund balance reflects sound financial management. The pledge is enhanced by the by revenues subject to State intercept. Lastly, although there remains uncertainty related to the source of funds to pay debt service and project operations, the Bond Bank is ultimately protected by the City's general obligation pledge.

For these reasons, we recommend approval of this loan application. If you or any of the Board members have any questions regarding our analysis, please feel free to call me at (503) 719-6113.

For Western Financial Group, LLC

A handwritten signature in black ink, appearing to read "Chip Pierce", with a stylized flourish extending to the right.

Chip Pierce

Seward Economic and Demographic Information

The natural beauty of Seward, its year-around deep-water port, access by road system and rail, and its relatively mild climate combine to make Seward attractive to marine and tourism-related businesses. The cost of living in Seward is also relatively low for Alaska, and taxes are low and stable. The cost of utilities is relatively high in Seward as in most of Alaska, but the recent drop in oil prices has brought relief to residents and businesses struggling with high winter energy costs. Seward continues to seek renewable energy opportunities and recent temperature studies on bore holes along the waterfront which demonstrate the feasibility of utilizing geothermal technology to heat City-owned buildings in the downtown corridor.

Seward has a diversified economy relative to many other places in the state, although it remains fairly dependent on the visitor industry for jobs and tax revenues. The community's strong tourism, commercial and recreational fishing, boat tours and amazing outdoor recreational opportunities, bring outside money into Seward's economy, resulting in strong visitor-related sales. Retail trade in Seward represents 37.7% of all taxable sales, followed by guided water sales (19.1%), restaurant and bar (12%), hotels and beds and breakfast (11.4%), public administration (6.6%), wholesale trade (4.1%), and others (7.1%). The Borough unemployment rate is at 7.8%, which is lower than ten-year average rate of 8.6%, but higher than the statewide average of 6.8%, primarily as a result of Seward's largely seasonal tourism and fishing economy. Borough-wide, per capita personal income has risen nearly 47% in the last ten years, from \$34,536 in 2006 to \$50,760 in 2015, while Seward's population rose 5.1% from 2,606 in 2006 to 2,740 in 2015. The City has a 4% sales tax which is applied only to the first \$500 of each separate sale. One-quarter of the sales tax, equal to a 1% tax, is set aside for healthcare purposes, serving capital and operating needs of the hospital, long-term care facility, and federally qualified health center/clinic. Taxable sales activity in Seward has increased 39% over the past ten years, averaging 3.9% annual growth, reaching \$124,818,252 in taxable sales in 2015. Since sales tax represents the single largest revenue source for the City's General Fund (41%), the growth in taxable sales is an important measure of the ability of the City to pay for general government services.

There is growing interest in expansion of marine transportation, ship repair, commercial fishing moorage, land development and related business activity, and the City is mid-way through a \$20 Million project to expand the Seward Marine Industrial Center to enclose the basin to accommodate larger marine vessels. This project is generating significant interest from commercial fishing fleets, transportation companies, marine scientists, and other large marine vessel operators with interest in expanded commercial harbor facilities. The Alaska Railroad has unveiled future plans to expand dock facilities in Seward, demonstrating a positive and growing economic climate for transportation and freight handling. However, cuts to state and federal budgets may impact the degree and pace at which expansion occurs, with spending levels having a direct impact on the local construction and trades industry. Overall, Seward saw 30 commercial construction building permits issued at a value of \$16.8 million, and 11 residential construction building permits issued at a value of \$760,000 in 2015.

Seward's downtown corridor has seen recent revitalization from new business activity (two restaurants, one health food store, a fitness center, and a sporting goods store opened in the past three years), reflecting optimism in the local business climate. Increased economic activity has encouraged new business activity and generated increased tax revenues, with sales tax revenues increasing 30.5% from 2010 to 2015 (\$3.7 million in 2010 to \$4.9 million in 2015), property tax revenues increasing 5.1% (\$954,687 in 2010 to \$1,003,665 in 2015), hotel/motel tax revenues increasing 39.7% (\$328,396 in 2010 to \$458,605 in 2015), and campground revenues increasing 34.7% (\$479,343 in 2010 to \$645,617 in 2015).

The top-ten taxpayers represent various industries including tourism, seafood processing, grocery, hotel/motel, communications, petroleum products, and marine, and account for approximately 22.9% of all taxable property in the community. With the bulk of these entities being visitor-related, the City is vulnerable to changes that affect the tourism industry, since sales tax and property tax are two of the City's top revenue sources, and combined, account for 49% of all General Fund revenue.

Seward maintains a significant government presence (22% government employees), with more than half of the top ten employers being government or non-profit entities, including the state-owned prison and vocational technical center, the City, the Borough school district, and three non-profit organizations. Providence Seward Medical and Care Center (the hospital and long-term-care facility), Seward Community Health Center clinic, and the Alaska Sealife Center are City-owned facilities run on the City's behalf by non-profit organizations, round out the list of top employers. The largest private sector employers include Safeway, CIRI Alaska tourism, the Breeze Inn, and Ray's Waterfront. Given the large proportion of government employment in Seward, the State's efforts to reduce budgetary pressures through reductions in force, could potentially have a large impact on local employment.

Seward has seen a large increase in population of the 20-29 year old demographic, representing 20% of Seward's population; the largest proportion in 20 years, demonstrating that young people see economic opportunity and are staying in Seward to develop primarily marine-related new businesses associated with recent expansion at the Seward Marine Industrial Center on the east-side of Resurrection Bay.



Application for Bonds

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase a revenue or general obligation bond issue of the applicant. This isn't considered a commitment on the part of the applicant or the Bond Bank. Additional information may be requested before a final recommendation.

I. General Information

A. Name of Governmental Unit (Applicant):

CITY OF SEWARD

B. Type of government (home rule, first class, authority, etc.):

HOME RULE

C. Contact Person for the government:

| | | | | | | | |
|----------|-------------------|------|---------------|---------|--|--------|------------|
| Name: | Kristin Erchinger | | | Title: | Finance Director | | |
| Address: | PO Box 167 | | | City: | Seward | State: | AK |
| Phone: | (907)224-4064 | Fax: | (907)224-4038 | E-mail: | kerchinger@cityofseward.net | | |
| | | | | | | Zip: | 99664-0167 |

D. Applicant's Bond Counsel:

| | | | | | | | |
|----------|--------------------------|------|--|---------|--|--------|-------|
| Name: | Cynthia Cartledge | | | Title: | Jermain Dunnagan & Owens, P.C. | | |
| Address: | 3000 A Street, Suite 300 | | | City: | Anchorage | State: | AK |
| Phone: | (907)261-6676 | Fax: | | E-mail: | ccartledge@jcolaw.com | | |
| | | | | | | Zip: | 99503 |

E. Applicant's Financial Advisor or Underwriter (if applicable):

| | | | | | | | |
|----------|-------------------------------|------|---------------|---------|--|--------|------------|
| Name: | Don Grimes | | | Title: | Sr. Vice President, Blitch Associates, Inc. | | |
| Address: | 11111 Katy Freeway, Suite 820 | | | City: | Houston | State: | TX |
| Phone: | (850)570-8528 | Fax: | (713)467-3448 | E-mail: | don@blitchassociates.com | | |
| | | | | | | Zip: | 77079-2118 |

II. Issue Information

A. Total amount of bond purchase request:

\$3,000,000

B. Total term of requested loan:

20 years

C. Preferred principal and interest payment months:

principal
Semi-annual /interest interest
only

D. If a bond election is required, provide a copy of the bond election ordinance and ballot proposition. q
Attached

If a bond election has been held, provide the votes for and against the issue(s):

| | | |
|------|-----|---|
| Yes: | No: | Percent of registered voters casting ballots: |
| 297 | 108 | 23.00% |

Does the municipality intend to pledge any specific assets or taxes in addition to property tax? Provide details of the additional security. qAttached

E. Will you need interim financing?**NO**

1. If applicable, provide interim financing information:

Amount:

Maturity:

Rate:

Lender:

2. Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing. ☐ Attached **N/A****F. Describe project to be financed, including the information requesting in 1-6. If this information is available in a project feasibility study, you may reference and attach it.**

1. Are engineering and specifications completed? ☒ Yes ☐ No
2. If not, when are they projected for completion?
3. Have construction bids been awarded? ☐ Yes ☒ No
4. Are there additional state or local approvals required? ☐ Yes ☒ No
5. Describe timing/scheduling plan: **Project is proposed to be bid in March 2017 for construction in the Summer of 2017.**

6. What is the projected completion date? **30-Sep-17****G. Sources of uses of funds****Sources of Funds**

| | |
|--------------------------|--------------------|
| Bonds (this application) | \$3,000,000 |
| Federal Funds* | \$3,000,000 |
| State Funds* | \$ |
| Applicant's Funds | \$300,000 |
| Other (specify) | \$ |
| Total: | \$6,300,000 |

Uses of Funds

| | |
|------------------|---------------------|
| Construction | \$ |
| Engineering | \$ |
| Contingency | \$ |
| Cost of Issuance | \$ |
| Other | \$ |
| Total: | \$ 6,300,000 |

*If federal or state funds are involved, provide a complete description of the status and uses of these funds.

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:

III. Credit InformationA. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds. ☐ Attached **AMBBA has all Seward bond loan agreements**B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? ☐ Yes ☒ No

If yes, provide amount of financed, purpose and principal amount outstanding. \$

C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects? ☐ Yes ☒ NoIf yes, please attach details. ☐ Attached **see attached explanation**D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds? ☒ Yes ☐ NoIf yes, please attach an explanation. ☒ Attached

E. Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds?

☐ Yes ☒ NoIf yes, please attach an explanation. ☐ AttachedF. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued. ☒ Attached.G. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy. ☐ AttachedH. Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application.) ☒ Attached

Are any of the community's major employers expected to make changes in work force or operations?

☐ Yes ☒ No **see explanation regarding state employers**If yes, provide an explanations. ☐ Attached

J. Please provide population figures for your community for the last five years. Indicate the source of your figures.

| Year | Population | Source |
|------|------------|------------------------|
| 2015 | 2740 | State of Alaska, DCCED |
| 2014 | 2768 | State of Alaska, DCCED |
| 2013 | 2487 | State of Alaska, DCCED |
| 2012 | 2754 | State of Alaska, DCCED |
| 2011 | 2733 | State of Alaska, DCCED |

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years. ☒ Attached

M. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been preformed). ☒ Attached *see URL address on attached*

N. Provide your current year's budget. ☒ Attached *see URL address on attached*

O. Provide your capital improvement plan. ☒ Attached *see URL address on attached*

P. Provide any other financial or economic information that will assist evaluation of your application. ☐ Attached

IV. Legal Information

- A. Provide a certificate of your legal counsel that establishes there is no litigation pending or threatened in any
1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or
 2. against your government or involving any of the property or assets of or under the control of your government, which, whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.
- B. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.
- C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation

The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge

Kristin M. Erchinger

Name (print)

Finance Director

Title

Kristin Erchinger

Signature

1/6/2017

Date of Application

Please return all applications to:

Deven Mitchell

Alaska Municipal Bond Bank Authority

Department of Revenue

PO Box 110405

Juneau, AK 99811-0405

(907)465-2388 phone

(907)465-2389 fax

deven_mitchell@revenue.state.ak.us

CITY OF SEWARD 2017 ROAD BOND APPLICATION ADDENDUM

Section II D: Pledge of assets or taxes

The Seward City Council held a work session on 12/09/2016 for the purposes of discussing revenue sources for repayment of this debt. Options include an increase in the property or sales tax, or creation of an excise tax aimed at assessing properties benefiting from new roads. In the event a new tax is not created, the Council is likely to increase the mill rate. Seward's mill rate is currently a very affordable 3.12 mills, and the mill equivalent of this new debt is estimated at 0.72 mills, bringing the mill rate to a still-affordable 3.84 mills.

Section II F: Project Information

The City of Seward is partnering in a major road improvements project which will provide new paving in some areas currently unpaved, as well as remove and replace asphalt in numerous areas around the City. The project is primarily funded through federal transportation funds passed through the State of Alaska. DOT will be managing the process on the City's behalf, and DOT has completed engineering and specifications for the project, as well as having obtained necessary permits for the project. Bids are expected to be solicited in February or March 2017 for construction expected to conclude by the end of the summer of 2017.

The Seward City Council has authorized the City's financial participation in an amount not to exceed \$3 million from borrowed general obligation bonds. In addition, the City previously appropriated \$300,000 toward the project. The total cost of the City's participation will be determined upon acceptance of a contract solicited through competitive bids, as cost will determine the amount of the project the City will be able to fund.

Section III – Credit Information

- A. All City outstanding bonds were issued through the Alaska Municipal Bond Bank, so the Bond Bank has copies of the loan agreements. The City has one outstanding GO bond for construction of a library, with an outstanding balance at 12/31/2016 of \$3.21 million.
- B. No lease purchase agreements at this time.
- C. No. One outstanding GO bond is paid through General Fund property and sales tax.
- D. There was one year in which the City fell short of its ability to meet debt service coverage requirements for a harbor revenue bond. However, the City maintained sufficient reserves to make the payments, made all debt payments on time, and raised rates in order to enhance future coverage. This occurred in 2009 after the economic slowdown, when passenger fee revenues – which were the primary source of bond repayment – declined dramatically due to reduced passenger numbers. The City has never failed to make a bond payment on time.
- E. No, the City has never failed to make a bond payment on time.
- F. The only authorized but unissued bonds are these road bonds in an amount not to exceed \$3 million, approved by the Seward City Council on January 9, 2017 via Resolution 2017-003.
- G. The City expects to issue only these upcoming road bonds in an amount not to exceed \$3 million, in March 2017. No other bonds are planned at this time.
- H. Summary of Local Economy

The natural beauty of Seward, its year-around deep-water port, access by road system and rail, and its relatively mild climate combine to make Seward attractive to marine and tourism-related businesses, and a destination of choice for tens of thousands of visitors. The cost of living in Seward is also relatively low for Alaska, and taxes are low and stable. The cost of utilities is relatively high in Seward as in most of Alaska, but the recent drop in oil prices has brought relief to residents and businesses struggling with high winter energy costs. Seward continues to seek renewable energy opportunities following the Alaska Sealife Center's successful project converting abundant seawater for heating, and recent temperature studies on bore holes along the waterfront which demonstrate the feasibility of utilizing geothermal technology to heat City-owned buildings in the downtown corridor.

Seward has a fairly diversified economy relative to many other places in the state, although it remains fairly dependent on the visitor industry for jobs and tax revenues. The community's strong tourism, commercial and recreational fishing, boat tours and amazing outdoor recreational opportunities, bring outside money into Seward's economy, resulting in strong visitor-related sales. Retail trade in Seward represents 37.7% of all taxable sales, followed by guided water sales (19.1%), restaurant and bar (12%), hotels and beds and breakfast (11.4%), public administration (6.6%), wholesale trade (4.1%), and others (7.1%). The Borough unemployment rate is at 7.8%, which is lower than ten-year average rate of 8.6%, but higher than the statewide average of 6.8%, which is to be expected, given Seward's largely seasonal tourism and fishing economy. Borough-wide, per capita personal income has risen nearly 47% in the last ten years, from \$34,536 in 2006 to \$50,760 in 2015, while during that same time period, Seward's population rose 5.1% from 2,606 in 2006 to 2,740 in 2015. The City has a 4% sales tax which is applied only to the first \$500 of each separate sale. One-quarter of the sales tax, equal to a 1% tax, is set aside for healthcare purposes, serving capital and operating needs of the hospital, long-term care facility, and federally qualified health center (clinic). Taxable sales activity in Seward has increased 39% over the past ten years, averaging 3.9% annual growth, reaching \$124,818,252 in taxable sales in 2015. Since sales tax represents the single largest revenue source for the City's General Fund (41%), the growth in taxable sales is an important measure of the ability of the City to pay for general government services.

There is growing interest in expansion of marine transportation, ship repair, commercial fishing moorage, land development and related business activity, and the City is mid-way through a \$20 Million project to expand the Seward Marine Industrial Center to enclose the basin to accommodate larger marine vessels. This project is generating significant interest from commercial fishing fleets, transportation companies, marine scientists, and other large marine vessel operators with interest in expanded commercial harbor facilities. The Alaska Railroad has unveiled future plans to expand dock facilities in Seward, demonstrating a positive and growing economic climate for transportation and freight handling. However, cuts to state and federal budgets may impact the degree and pace at which expansion occurs, with spending levels having a direct impact on the local construction and trades industry. Overall, Seward saw 30 commercial construction building permits issued at a value of \$16.8 million, and 11 residential construction building permits issued at a value of \$760,000 in 2015.

Seward's downtown corridor has seen recent revitalization from new business activity (two restaurants, one health food store, a fitness center, and a sporting goods store opened in the past three years), reflecting optimism in the local business climate. Increased economic activity has encouraged new business activity and generated increased tax revenues, with sales tax revenues

increasing 30.5% from 2010 to 2015 (\$3.7 million in 2010 to \$4.9 million in 2015), property tax revenues increasing 5.1% (\$954,687 in 2010 to \$1,003,665 in 2015), hotel/motel tax revenues increasing 39.7% (\$328,396 in 2010 to \$458,605 in 2015), and campground revenues increasing 34.7% (\$479,343 in 2010 to \$645,617 in 2015). While the business outlook appears positive, local businesses are sensitive to high costs of utilities and heating fuel, with those costs determining factors in whether businesses close in the winter to avoid higher winter operating costs. To address that challenge, the City implemented seasonal electric rates for residential and small business customers, to reduce rates in the winter months and increase rates in the summer. Seward's strong economic activity continues to rely, in large part, on visitor numbers, but expanded fisheries processing, marine transportation, marine repair, scientific research and related industries inject a desired degree of diversity in Seward's economic base.

In comparison with other communities in the Kenai Peninsula Borough, Seward's growth outpaced in 2011, 2012 and 2013, slowed in 2014, and outperformed all but Seldovia in 2015. In 2015, Seward's taxable sales rose (7.9%), as did Seldovia (9.9%), Homer (0.2%) and Kenai (0.4%), while the Borough's taxable sales fell (-1.2%) followed by Soldotna at (-5.8%). The bulk of Seward's sales tax (49%) is generated during the period June, July and August, with the influx of summer visitors. In 2014, Seward's taxable sales growth was the second-lowest in the borough at 0.38%, outpacing Seldovia's negative 4.06% growth, but lower than Soldotna (1.5%), the Borough (1.9%), Homer (2.9%) and Kenai (5.9%). In 2013, Seward's taxable sales growth was the highest in the borough at 6.35%, followed by Homer (3.55%) and Soldotna (2.15%). In 2012, Seward's taxable sales growth was the highest at 4.47%, followed by Soldotna (3.38%) and Kenai (2.19%). In 2011, Seward's taxable sales grew by 6.84% followed by Homer (5.57%) and Kenai (5.05%).

The City's top ten property taxpayers have become more diverse over the past few years, but still lean toward an over-dependence on tourism-related businesses and the visitor industry. The top-ten taxpayers represent various industries including tourism, seafood processing, grocery, hotel/motel, communications, petroleum products, and marine, and account for approximately 22.9% of all taxable property in the community. With the bulk of these entities being visitor-related, the City is vulnerable to changes that affect the tourism industry, since sales tax and property tax are two of the City's top revenue sources, and combined, account for 49% of all General Fund revenue.

Seward maintains a significant government presence (22% government employees), with more than half of the top ten employers being government or non-profit entities, including the state-owned prison and vocational technical center, the City, the Borough school district, and three non-profit organizations. Providence Seward Medical and Care Center (the hospital and long-term-care facility), Seward Community Health Center clinic, and the Alaska Sealife Center are City-owned facilities run on the City's behalf by non-profit organizations, and they round out the list of top employers. The largest private sector employers include Safeway, CIRI Alaska tourism, the Breeze Inn, and Ray's Waterfront. Given the large proportion of government employment in Seward, the State's efforts to reduce budgetary pressures through reductions in force, could potentially have a large impact on local employment. On the other hand, the community has seen a large increase in population of the 20-29% demographic, representing 20% of Seward's population; the largest proportion in 20 years, demonstrating that young people see economic opportunity and are staying in Seward to develop primarily marine-related new businesses associated with recent expansion at the Seward Marine Industrial Center on the east-side of Resurrection Bay.

Section III – Credit Information, continued:

- L. Assessed Valuation and Property Tax Collections (five years):
- 2015 - \$320.2 Million; \$978,629
- 2014 - \$292.2 Million; \$964,523
- 2013 - \$396.6 Million; \$1,231,224 (includes short-term Noble Discoverer rig)
- 2012 - \$314.8 Million; \$974,553
- 2011 - \$304.9 Million; \$965,967
- M. Audited financial statements for the City can be found online at the following URL:
- 2015 = <http://www.cityofseward.us/DocumentCenter/View/3131>
- 2014 = <http://www.cityofseward.us/DocumentCenter/View/2445>
- N. City of Seward Biennial Budget for period 1/1/16 – 12/31/17 can be found online at the following URL: <http://www.cityofseward.us/DocumentCenter/View/3182>
- O. The City's Capital Improvement Plan is found at pages 196 through 205 online at <http://www.cityofseward.us/DocumentCenter/View/3182>

Alaska Municipal Bond Bank
Application Credit Review Summary Page

| | |
|---|---|
| Applicant: | City of Whittier (“Whittier”) |
| Loan Amount: | Total Application - Not to exceed \$6,500,000 This loan – Approximately \$2,000,000 |
| Project Type: | Small Boat Harbor improvements. |
| Project Description: | Whittier began significant renovation of the Small Boat Harbor in 2008 with removal of outdated launch ramps and construction of a new \$5,000,000 three lane launch ramp. In 2010 and 2011 sheet pile was installed over half the harbor front, which included new docks along the length of the new sheet pile and relocation of the Harbormaster building at a total cost of \$4,600,000. The Bond Bank loan will be used to replace the remaining floats and pilings. |
| Term of Loan: | 20 years (through 2037) for this series |
| Revenues Pledged to Loan: | Cruise Vessel Passenger Taxes and Small Boat Harbor Enterprise Fund Net Revenues |
| Most Recent FY Pledged Revenues (2015 Audited Results): | \$881 thousand |
| Estimated Maximum Annual Debt Service (Total Project): | \$445 thousand |
| Total Bond Bank Fiscal Year 2018 Debt Service: | \$140 thousand |
| Most Recent FY Debt Service Coverage Ratio (Total Project): | 1.92x |
| Most Recent FY State-Shared Revenues (SSR): | \$3.52 million |
| Debt Service Coverage of AMBB DS from SSR: | 7.91x |
| Loan Subject to State Debt Service Reimbursement: | No |
| Estimated Borrower Savings for 2017 One Loan (Gross): | \$335 thousand |
| Estimated Borrower Savings for 2017 One Loan (Present Value): | \$217 thousand |
| No Litigation Letter Received: | Yes |

Loan Application Evaluation

City of Whittier Small Boat Harbor Project

Introduction

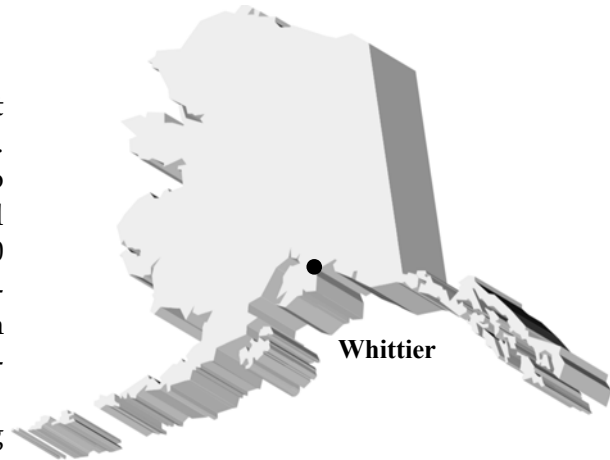
The City of Whittier (“Whittier”) has submitted an application to the Alaska Municipal Bond Bank (the “Bond Bank”) for two loans totaling approximately \$6,500,000. The loans will be used by Whittier to finance improvements to the City’s small boat harbor facilities. Whittier expects to fund the project with two Bond Bank loans over the next year.

The Projects

The City of Whittier began significant renovation of the Small Boat Harbor in 2008. In 2015 a \$4,000,000 project was completed to replace about a third of the floats in the small boat harbor. The City currently has \$500,000 of State grant funding towards the next portion of float replacement, and plans are in place to complete the Harbor floats and install new pilings by 2019.

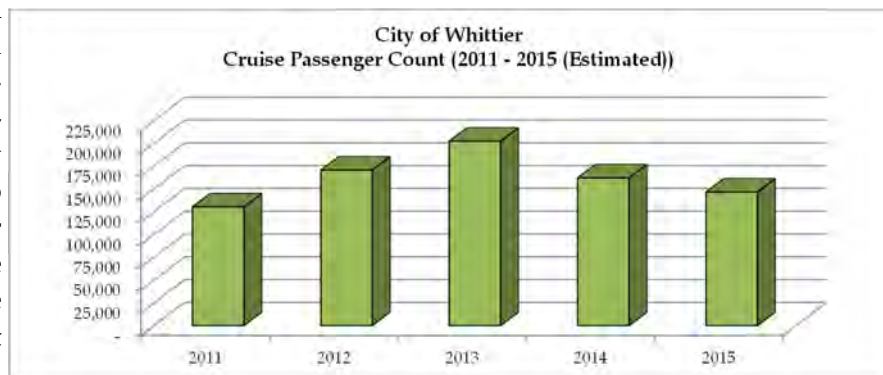
In 2016 the Harbormaster building had its roof replaced and new metal siding installed. There was also a new Harbor generator installed. These two projects cost about \$250,000 and were paid fully by Harbor reserve funds. Since 2008 the City has placed nearly \$14,000,000 of new infrastructure in the Harbor.

The remaining construction cost to finish the Harbor is estimated at \$7,605,000. The Bond Bank loans will provide \$6,500,000 of that total, with an initial loan of \$2,000,000. The City is currently completing loan applications for other low interest loans and will know if that loan application is successful by July 2017. If it is, Whittier will use those loan proceeds to complete the project. If not, Whittier will seek the remaining \$4,500,000 of bond funding in late 2017 from the Bond Bank.



Whittier Cruise Ship Activity

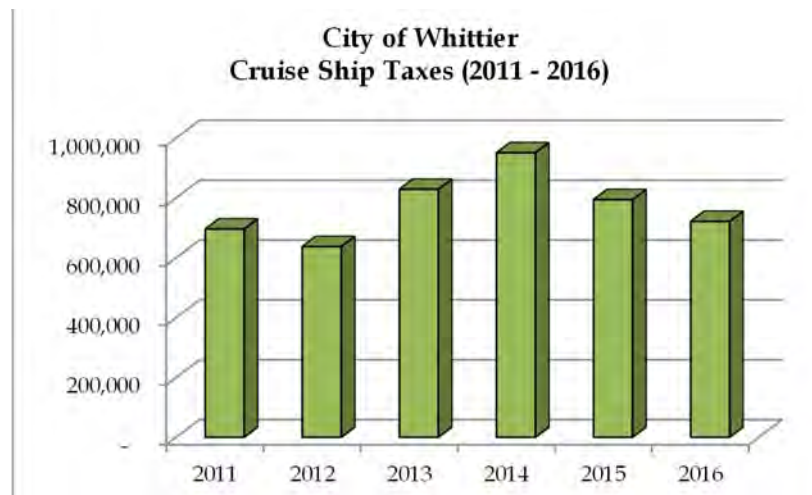
When the Anton Anderson Memorial Tunnel opened to public access in 2000, it became the first highway to connect Whittier to Anchorage and inner Alaska—previously, the only ways to reach the town had been rail, boat and plane.



After the tunnel expanded access to Whittier, it began to be visited by larger cruise lines. Whittier is the embarkation/debarkation point of one-way cruises from Anchorage to Vancouver by Princess Tours. The graph above presents estimates of cruise passenger that visited Whittier during the period from 2011 through 2015. As the graph suggests, passenger counts have ranged from approximately 130 thousand to over 200 thousand during that period.

The State of Alaska levies a Commercial Vessels Passenger (“CVP”) tax on commercial vessels that provide overnight accommodations in the State’s marine waters. For each voyage of a commercial passenger vessel providing overnight accommodations, the State determines the number of passengers on board the vessel at each port of call. Subject to appropriation by the legislature, the State distributes to each port of call \$5 per passenger of the tax revenue collected from the tax. The City reports that it generally receives the distribution of CVP in a lump sum from the State in January or February based on cruise activity from the prior year.

As the graph below demonstrates, the CVP revenues have followed the trend of cruise passengers, with distributions lagging cruise activity by one year.



Security and Repayment

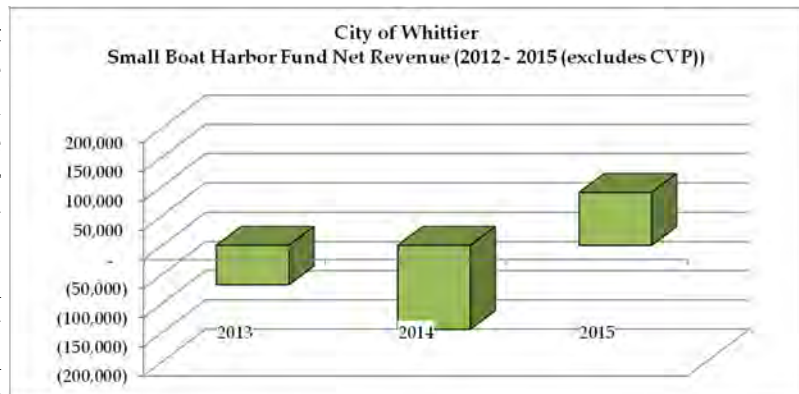
The bonds will be secured by net revenues of Whittier’s small boat harbor operations, including the City’s share of the CVP. In addition, Whittier will fund a debt service reserve fund to the maximum allowed under federal tax law to be held by the Bond Bank’s trustee.

The additional bonds test in the Whittier revenue bond resolution requires that, before additional parity bonds may be issued, the City must demonstrate that the net revenues, including CVP transfers by the State to the Cruise Ship Tax Special Revenue Fund, are sufficient to cover existing and projected debt service by 1.25 times based on audited financial statements. Alternatively, Whittier may issue additional parity bonds based on the report of an expert consultant that takes into account: 1) any additional net revenues to be derived by expansions or improvements to the harbor; and 2) revenue to be derived from any additional fees and charges that have been established by the City. The issuance of additional bonds based on a forecast requires prior consent by the Bond Bank.

In addition to the additional bonds test, the resolution adopted by the City with respect to the Bond Bank loan requires the City to maintain rates, fees and charges at the small boat harbor sufficient to produce net revenue equal to at least 125% of the debt service on all outstanding bonds secured by the harbor system net revenues. If harbor net revenues fall below that ratio, the rate covenant requires the City to retain a consultant “to make recommendations as to operations and revision of schedules of rentals, tariffs, rates, fees and charges, and on the basis of such recommendations... the City will establish such... fees and charges...as are necessary to meet the rate covenant.”

The Bond Bank’s loan agreement will specify that the City needs to make debt service payments on a monthly basis. The amount of the monthly payments will equal one-twelfth of the next principal payment due and one-sixth of the next interest payment due.

The graph to the right presents net revenues of the Small Boat Harbor Fund for fiscal years 2013 through 2015. As the graph demonstrates, fiscal year 2015 results were significantly stronger than results for 2014. This is attributed to both growth in revenues (up by approximately \$88 thousand) and a decline in expenditures of approximately



\$178 thousand. Net revenues of approximately \$90 thousand, combined with the CVP of over \$790 thousand results in pledged revenues in fiscal year 2015 of approximately \$881 thousand. Debt service for the first portion of the loan request is approximately \$140 thousand, resulting in coverage on the \$2 million loan request of approximately 6.29 times. Debt service for the total \$6.5 million application amount is estimated at \$445 thousand, resulting in debt service coverage from fiscal year 2015 pledged revenues of slightly less than 2.0 times.

Future Capital Plans

City staff report that Whittier has no plans for the issuance of additional bonds in the foreseeable future, other than the potential \$4.5 million of additional small boat harbor bonds contemplated in the City's application to the Bond Bank.

State Aid Intercept

The Bond Bank has the authority to intercept State revenues that would otherwise flow to an underlying borrower in the event that a borrower failed to make timely payment on a Bond Bank loan. The State aid intercept is a significant, if unutilized, credit strength. The table below presents Whittier's revenues subject to intercept compared to fiscal year 2018 debt service on the proposed loans from the Bond Bank.

| | |
|---|--------------------|
| Shared Taxes and Fees | \$809,009 |
| Dept. of Transportation Reimbursement | \$0 |
| Reimbursement and Other Education Funding | \$0 |
| Education Support Funding | \$0 |
| Matching Grants | \$2,596,445 |
| Community Jails | \$0 |
| PILT Transfers | \$46,181 |
| Revenue Sharing | \$68,796 |
| Total Revenue Subject to Intercept | \$3,520,431 |
| Fiscal Year 2018 Debt Service (includes 2017 Loans DS) | \$445,000 |
| Debt Service Coverage | 7.91 |

Statement of No Litigation

The City's application was accompanied by a letter from Thomas Klinkner of the law firm of Birch Horton Bittner & Cherot which serves as the City's General Counsel. The letter states, in part, "no litigation is pending (or, to our knowledge, threatened) against the City in any court in any way affecting the corporate existence of the City... (or) seeking to restrain or enjoin the issuance, sale or delivery of the bonds... or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the City and the Alaska Municipal Bond Bank... or... involving any of the property or assets of or under the control of the City which, whether individually or in the aggregate involves the possibility of any judgment or uninsured liability which may result in any material adverse change in the revenues, properties, or assets, or in the condition, financial or otherwise, of the City."

Summary

Based on our assessment the security offered by the City, as set forth in Whittier's loan application and supplemental materials, provides sufficient security to justify approval of the application. The Cruise Vessel Passenger Fee and net revenues of the Small Boat Harbor Fund are forecast to produce debt service coverage of approximately 2.00 times coverage of the full requested amount. Furthermore, the City will fund a debt service reserve fund with proceeds of the Bond Bank loan which will be held by the Bond Bank's trustee.

For these reasons, we recommend approval of this loan application. If you have any questions related to the preceding report, please do not hesitate to call me at (503) 719-6113.

For Western Financial Group, LLC

A handwritten signature in black ink, appearing to read "Chip Pierce", with a stylized flourish at the end.

Chip Pierce

City of Whittier

Passage Canal was once the quickest route from Prince William Sound to Cook Inlet. Chugach Indians would portage to Turnagain Arm in search of fish. Nearby Whittier Glacier was named for the American poet John Greenleaf Whittier; the name was first published in 1915 by the U.S. Coast & Geodetic Survey. A port and a railroad terminus were constructed by the U.S. Army for transporting fuel and other supplies into Alaska during World War II. The railroad spur and two tunnels were completed in 1943, and the Whittier Port became the entrance for troops and dependents of the Alaska Command. The huge buildings that dominate Whittier began construction in 1948. The 14-story Hodge Building (now Begich Towers) was built with 198 apartments for army bachelor quarters and family housing. The Buckner Building, completed in 1953, had 1,000 apartments and was once the largest building in Alaska. It was called the "city under one roof," with a hospital, bowling alley, theater, gym, swimming pool, and shops for Army personnel. Whittier Manor was built in the early 1950s by private developers as rental units for civilian employees. The port remained an active army facility until 1960; at that time, the population was 1,200. Whittier Manor was converted to condominiums in 1964; Begich Towers now houses the majority of residents, as the Buckner Building is no longer occupied. The city was incorporated in 1969.

Residents enjoy sport-fishing, commercial fishing, and subsistence activities. Whittier has an ice-free port and three city docks (a 122' Ocean Dock serving freight and passengers, a 68' City dock for freight and a 60' floating passenger dock). A small boat harbor has slips for 360 fishing, recreation, and charter vessels. It is served by road, rail, the state ferry, boat, and aircraft. Since 2000, a tunnel has provided a road connection. The Anton Anderson Memorial Tunnel was reconstructed to accommodate both rail and road vehicles. The railway carries passengers, vehicles, and cargo 12 miles from the Portage Station east of Girdwood. The state-owned gravel airstrip accommodates charter aircraft, and a city-owned seaplane dock is available for passenger transfer.

As of 2015, there were 253 people living in the city, with 288 available housing units. Approximately two-thirds of the population lives within the 14-story Begich Towers and one-third in Whittier Manor. The racial makeup of the city was 78.38% White, 4.05% Asian, 4.96% Native American, 3.60% Hawaiian or Pacific Islander, 5.41% Hispanic, and 9.01% from two or more races. These numbers represent only census data, and an influx of tourists and visitors during summer months will likely represent further diversity and a much larger population.

There are 124 households in the town and the average household size is roughly 1.79 people, according to 2014 statistics. Of these households, 56 are family and 68 are non family. 40.30% of the population is married, and 32.34% are divorced. 51.78% of the population has children.

The age distribution within the city shows that 13.96 percent of the population is under the age of 18, 3.15 percent is between the ages of 18 and 24, 23.87 percent is between the ages of 25 to 44, 52.25 percent is between the ages of 45 and 64, and 6.76 percent of the population is above the age of 65.

The median income for a household in the city was \$46,250 in 2014. The per capita income for the city was \$31,624. Unemployment in Whittier was at a rate of 9.2 percent.



Application for Bonds

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase a revenue or general obligation bond issue of the applicant. This isn't considered a commitment on the part of the applicant or the Bond Bank. Additional information may be requested before a final recommendation.

I. General Information

A. Name of Governmental Unit (Applicant):

City of Whittier

B. Type of government (home rule, first class, authority, etc.):

Second Class City

C. Contact Person for the government:

| | | | |
|--------------|--------------|--------------------------------|-------|
| Name: | Title: | | |
| Mark Lynch | City Manager | | |
| Address: | City: | State: | Zip: |
| P.O. Box 608 | Whittier | AK | 99693 |
| Phone: | Fax: | E-mail: | |
| 907-472-2327 | | citymanager@whittieralaska.gov | |

D. Applicant's Bond Counsel:

| | | | |
|------------------|-----------|-------------------|-------|
| Name: | Title: | | |
| Thomas Klinkner | Attorney | | |
| Address: | City: | State: | Zip: |
| 1127 W. 7th Ave. | Anchorage | AK | 99501 |
| Phone: | Fax: | E-mail: | |
| 907-276-1550 | | tklinkner@bhb.com | |

E. Applicant's Financial Advisor or Underwriter (if applicable):

| | | | |
|----------|--------|---------|------|
| Name: | Title: | | |
| | | | |
| Address: | City: | State: | Zip: |
| | | | |
| Phone: | Fax: | E-mail: | |
| | | | |

II. Issue Information

A. Total amount of bond purchase request:

\$6,500,000

B. Total term of requested loan: 20 years

C. Preferred principal and interest payment months: X principle interest only

D. If a bond election is required, provide a copy of the bond election ordinance and ballot proposition. **Not required**

If a bond election has been held, provide the votes for and against the issue(s):

| Yes: | No: | Percent of registered voters casting ballots: |
|------|-----|---|
| | | % |

Does the municipality intend to pledge any specific assets or taxes? Provide details of the additional security. **Yes, CPV. Attached.**

E. Will you need interim financing? **No**

1. If applicable, provide interim financing information:

| Amount: | Maturity: | Rate: | Lender: |
|---------|-----------|-------|---------|
| | | | |

2. Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing. ☐ Attached

F. Describe project to be financed, including the information requesting in 1-6. If this information is available in a project feasibility study, you may reference and attach it.

- Are engineering and specifications completed? **X Yes** ☐ No
- If not, when are they projected for completion?
- Have construction bids been awarded? **X Yes** ☐ No
- Are there additional state or local approvals required? ☐ Yes **X No**
- Describe timing/scheduling plan: **Work to begin in early 2017 and completion by 2019.**

6. What is the projected completion date? **By Fall 2019**

G. Sources of uses of funds *** See Explanation Sheet Attached

| Sources of Funds | | Uses of Funds | |
|--------------------------|---------------------|------------------|---------------------|
| Bonds (this application) | \$ 6,500,000 | Construction | \$ 7,385,000 |
| Federal Funds* | \$ | Engineering | \$ |
| State Funds* | \$ 500,000 | Contingency | \$ 200,000 |
| Applicant's Funds | \$ 602,000 | Cost of Issuance | \$ 17,000 |
| Other (specify) | \$ | Other | \$ |
| Total: | \$ 7,602,000 | Total: | \$ 7,602,000 |

*If federal or state funds are involved, provide a complete description of the status and uses of these funds.

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:

Construction

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds. ☐ Attached **N/A**

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? ☐ Yes **X No**

If yes, provide amount of financed, purpose and principal amount outstanding. \$

C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects? ☐ Yes **X No**

If yes, please attach details. ☐ Attached

D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds? ☐ Yes **X No**

If yes, please attach an explanation. ☐ Attached

E. Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds? ☐ Yes **X No**

If yes, please attach an explanation. ☐ Attached

F. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued. ☐ Attached. **N/A**

G. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy. ☐ Attached **None**

H. Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application.) **X Attached**

I. Are any of the community's major employers expected to make changes in work force or operations? ☐ Yes **X No**

If yes, provide an explanations. ☐ Attached

J. Please provide population figures for your community for the last five years. Indicate the source of your figures.

| Year | Population | Source |
|-------------|------------|--|
| 2011 | 225 | Alaska Division of Community and Regional Affairs |
| 2012 | 227 | Alaska Division of Community and Regional Affairs |
| 2013 | 225 | Alaska Division of Community and Regional Affairs |
| 2014 | 234 | Alaska Division of Community and Regional Affairs |
| 2015 | 253 | Alaska Division of Community and Regional Affairs |

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years. **See CPV Sheet Attached**

M. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been performed). ☐ Attached

N. Provide your current year's budget. **X Attached**

O. Provide your capital improvement plan. **X Attached**

P. Provide any other financial or economic information that will assist evaluation of your application. **X Attached; See Explanation of Proposed Funding Page**

IV. Legal Information

A. Provide a certificate of your legal counsel that establishes there is no litigation pending or threatened in any court in

1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or

2. against your government or involving any of the property or assets of or under the control of your government, which , whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.

B. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.

C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation

The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge

Mark Lynch

Name (print)

City Manager

Title

Signature

12/12/2016

Date of Application

Please return all applications to:

Deven Mitchell

Alaska Municipal Bond Bank Authority

Department of Revenue

PO Box 110405

Juneau, AK 99811-0405

(907)465-2388 phone

(907)465-2389 fax

deven_mitchell@revenue.state.ak.us

Alaska Municipal Bond Bank
Internal - Application Credit Review Summary for Kenai Peninsula Borough – South Kenai Peninsula
Hospital Service Area
Date Application Submitted: 12/30/2016

Applicant: Kenai Peninsula Borough - South Kenai Peninsula
Hospital Service Area

Total Loan Par: \$4,800,000

Loan Amount Summary:

- 1) Kenai Peninsula Borough (KPB) has applied to the Bond Bank for a loan of \$4,800,000, issued pursuant to an approved *General Obligation Bond Measure* for the South Kenai Peninsula Hospital Service Area (SPH). SPH pledges its full faith and credit for payment. Bond proceeds will be used for the purpose of improving and expanding the Homer Medical Center.

2016 Projects - \$4,800,000 Request

- \$4,800,000 in total authorization was approved by voters in October 2016 for South Kenai Peninsula Hospital Service Area General Obligation Bonds
- The Homer Medical Center is the service area's main primary care facility providing family practice, obstetrics / gynecology, midwifery, nurse practitioners and other services. Expansion of the facility is necessary to accommodate these primary care services.
- An approximate 5,700 square foot expansion of Homer Medical Center is projected to enable SPH to terminate several third party leases by relocating employees, offsetting costs and gaining operational efficiency. Other improvements include replacement of HVAC units to bring operating room airflow up to code.
- The recent October 2016 Ballot Measure was approved by 58.3% yes / 41.7% no, "...for bond proceeds of \$4,800,000, to be used for the purpose of paying the cost of planning, designing, site preparation, constructing, acquiring, renovating, installing, and equipping facilities of the South Peninsula Hospital, including the Homer Medical Center..."

Proposed Term of Loan: 15 Years

Revenues Pledged to Loan: Property Taxes (specifically - SPH service area)

Estimated Debt Service on this loan request: \$410,000

**FY 2016 Non-Operating General
Property Tax Revenue for SPH:** \$3.95 million

Total Bond Bank Annual Debt Service FY18 (estimated): \$15,351,539

Most Recent KPB State-Shared Revenues (SSR): \$95.4 million

Debt Service Coverage Estimate to SSR: 6.21x

No Litigation Letter Received: Yes

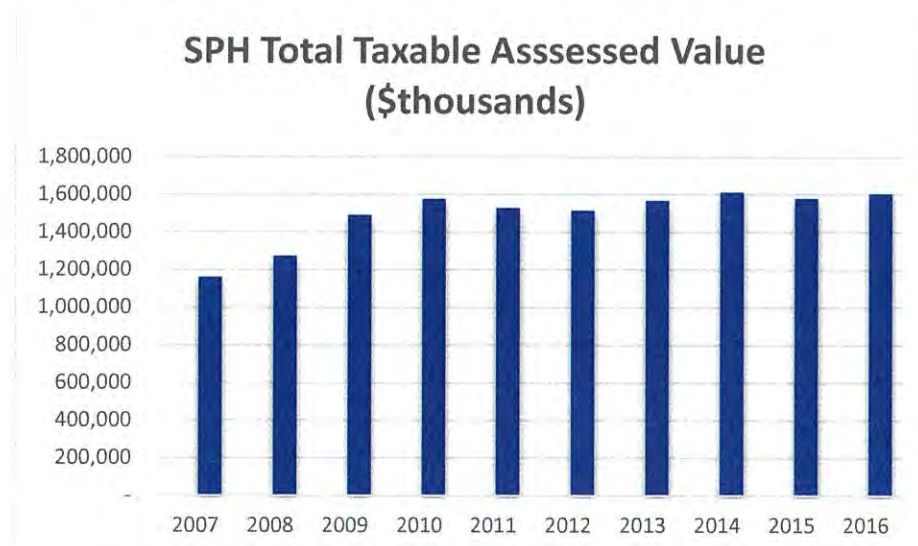
Project Information, Security, and SPH Financial Summary

The SPH will use its loan for expansion and improvements to the Homer Medical Center. KPB has determined that expansion of the Homer Medical Center is necessary to expand primary care services and replace HVAC units. The proposed addition of 5,700 square feet, in addition to related renovations and site improvements, will enable South Peninsula Hospital to terminate several third party leases by relocating employees to this new facility. The recurring costs associated with these leases will be eliminated, helping offset the cost of the expansion.

In addition, replacement of the HVAC units for the hospital's operating rooms is needed. The current units are circa 1975 and no longer provide the needed air exchange and do not meet current code requirements. Voters in the South Kenai Peninsula Hospital Service Area approved the issuance of the bonds in an October 4, 2016 election ballot by a margin of 58.3% to 41.7%.

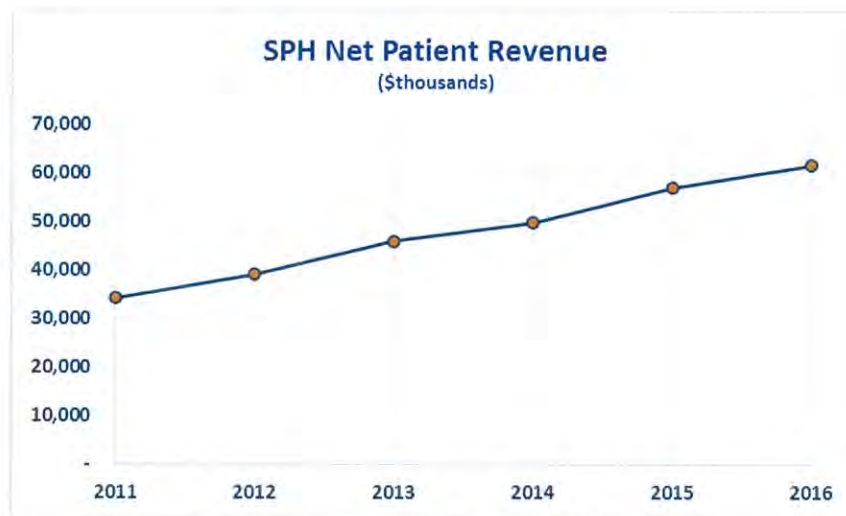
SPH is a rural community hospital that serves a population of approximately 14,000 and spans 8,900 square miles. SPH's mission is to promote and improve community health and wellness by providing high quality, cost-effective, locally coordinated, and holistic health care. SPH is governed by an independently elected board. It is, however, fiscally dependent on the Kenai Peninsula Borough because the Assembly approves the SPH budget, approves the tax levy to support the budget, and must approve any debt issuance. KPB is financially accountable for three legally separate discretely presented component units/ the KPB School District, Central Peninsula Hospital, and SPH, which are each reported within KPB's financial statements.

The SPH general obligation bonded debt shall be paid from ad valorem taxes on all property levied and collected within the SPH, and from operating revenues generated by the SPH. The graph below depicts total taxable assessed value of the SPH service area over the past 10 years. After increases in the 2007-2009 period, values have stabilized. Even though we have seen a decline in oil and gas property values over the last couple years, the assessed value and general property tax collections maintained in a stable range.



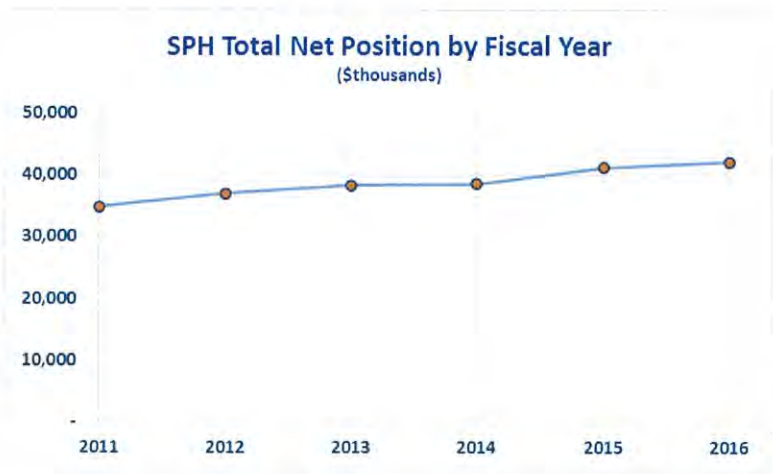
KPB estimates that for these general obligation bonds an annual tax of approximately \$21.10 per \$100,000 of assessed taxable property value would be needed to retire the debt (or a 0.21 increase in the SPH millage rate). The current mill rate for taxable property within SPH is 2.3. Over the last 5 years, tax collections have ranged from approximately \$3.63 (FY2012) to \$3.95 million (FY2016).

The graph below depicts net patient revenues for the past six fiscal years, increasing year-over-year from approximately \$32.4 million in 2011 to approximately \$61.7 million in 2016. While net patient revenues have been increasing, the hospital still had a \$2.7 million loss from operations for fiscal year 2016, compared to a \$324,693 loss in fiscal year 2015 (\$2.5 million loss in 2014, and \$1.8 million loss in 2013). Net revenue in fiscal year 2016 was \$4.7 million higher than fiscal year 2015; however, expenses increased \$7.1 million over the same time period. Of that increase, \$3.3 million was in salaries, wages and benefits. The majority of the increases in salaries and wages were required by collective bargaining agreements.



The SPH has taken recent action in an effort to bring-in expenses and further increase revenues. A new finance director has been hired. A consultant with a specialty in independent critical access hospitals was hired in mid-2016 to do a management audit. A few of the items analyzed during the audit process include current billing rates, staff coverage and management efficiencies, and collection rates. There's confidence within the administration that fine tuning management processes, decreasing staff hours, increasing certain below market billing rates, and increasing collections through software utilization will have a direct impact on future operations of the hospital.

The graph below depicts SPH's total net position for the past six fiscal years, increasing year-over-year from approximately \$34.8 million in 2011 to approximately \$42.1 million in 2016. Net position is one indicator offering a general gage of financial health, given changes in operating revenues and expenses over a span of time. Over the last 6 fiscal years, the total net position of the SPH has remained relatively stable.



Future Capital Plans

The Borough assembly authorized the issuance of revenue debt for Central Peninsula Hospital in an amount up to \$28.955 million for the new obstetrics facilities, cardiac catheterization laboratory and related projects. The "Project" is expected to consist of a building of approximately 30,000 GSF that provides obstetrics services with a C-section room, five labor/delivery/recovery rooms, and four postpartum rooms, a cardiac catheterization laboratory with six pre/post-operative rooms; three new intensive care patient rooms; site improvements to accommodate increased parking, a new heated helipad, and improved truck delivery area; and full or partial remodel and/or replacement of areas impacted by the construction including pre-operative clinic, physical rehabilitation, cardiopulmonary, pharmacy, outpatient lab, dietary, and several offices. The estimated cost of the Project is \$38,955,000 and the Project is expected to be financed with cash in the amount of \$10,000,000 from the Central Peninsula Hospital Plant and Expansion Fund and \$28,955,000 from proceeds of hospital revenue bonds.

The Central Emergency Services Area (CES) expects to issue debt in 2019, with projected term of 15 years, in the projected amount of \$1.6 million. Additionally, the CES is projecting that in FY2021, they will be remodeling Station #1. The estimated cost is approximately \$10,900,000 with funding to be provided from by a combination of grants and debt issuance. These bonds would be the responsibility of the Service Area.

State Aid Intercept

The Bond Bank has the authority to intercept State revenues that would otherwise flow to an underlying borrower in the event that a borrower failed to make timely payment on a Bond Bank loan. State aid intercept is a significant credit strength (although it has never been tested). The table below represents KPB's most recent revenues subject to intercept compared to recent estimates on annual fiscal year debt service (contains estimates for debt service on both 2017-1 loans).

| | |
|--|---------------------|
| Shared Taxes and Fees | \$1,172,433 |
| Dept. of Transportation Reimbursement | \$0 |
| Reimbursement and Other Education Funding | \$2,321,622 |
| Education Support Funding | \$81,901,690 |
| Matching Grants | \$8,637,344 |
| Community Jails | \$0 |
| PILT Transfers | \$0 |
| Revenue Sharing | \$1,374,231 |
| Total Revenue Subject to Intercept | \$95,407,320 |
| Total Bond Bank Annual Debt Service FY18 (estimated) | \$15,351,539 |
| Debt Service Coverage | 6.21 |

KPB has a historical track record of receiving these State supported amounts, providing a sufficient intercept capacity to cover the projected amount of the debt service on the proposed Bond Bank loan by 6.21 times estimated FY2018 debt service. When compared to other political subdivisions with Bond Bank loans outstanding, KPB's total revenue subject to State intercept is behind only that of the Municipality of Anchorage, the University of Alaska, and Fairbank North Star Borough.

Statement of No Litigation

KPB's has provided a statement of no litigation from the Borough attorney stating "there is no litigation pending or threatened..."

Summary

After review of KPB's provided loan application and supplemental materials for the SPH, the Bond Bank staff's assessment shows sufficient security to support approval of the loan request in the amount of \$4,800,000. The SPH's taxable assessed value and resulting collections have shown ample and recurrent property tax revenues in the service area. The Bond Bank's ability to intercept state aid adds a significant extra layer of security for this loan request. The service area population has also shown support of the project through the approval of the general obligation bond measure. Even though bottom line operations have room for improvement, the SPH has developed a targeted approach to address issues, and overall net position of the hospital has remained stable over the same time period.

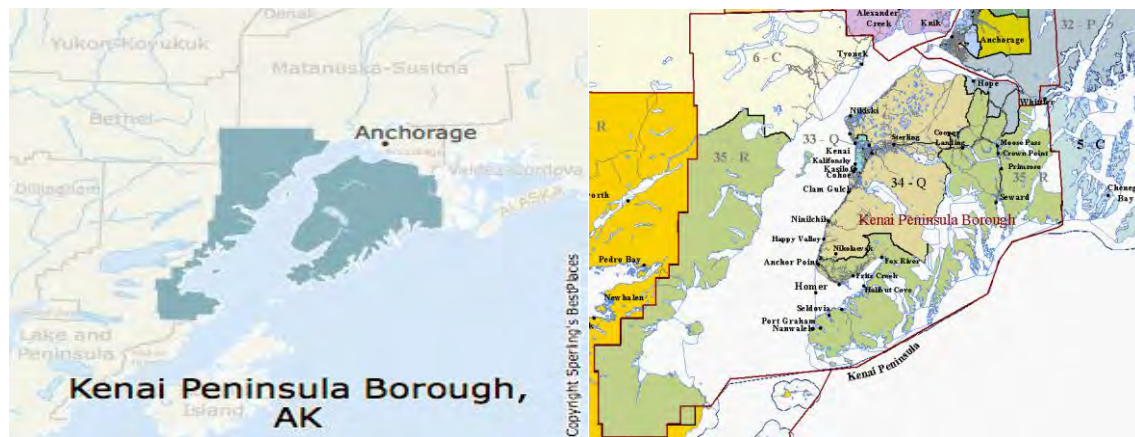
For these reasons, we recommend approval of this loan application. If you have any questions regarding our analysis, or would like to discuss in further detail, please feel free to reach out to us.

On behalf of Alaska Municipal Bond Bank Staff,



Ryan Williams
Finance Director
Alaska Municipal Bond Bank Authority
(907) 465-2893
ryan.williams@alaska.gov

Kenai Peninsula Borough Economic & General Information



Profile of the Kenai Peninsula Borough

The Borough was incorporated in 1964 as a second-class borough. It occupies a geographic area of approximately 25,600 square miles and is located in the south central part of the state of Alaska. The estimated population for the Borough is 57,763.

Local Economy

The Borough economy is highly diverse. The five industry categories that have the most employment are local government, retail trade, leisure and hospitality, natural resources and health care. Together they represent most of the Borough's employment. That diversity allows the Borough to be more resilient to declines in any one industry. The Borough's economy has experienced consistent, gradual growth since the late 1980's. Borough wide, the general government tax rate has decreased from a high of 8.59 mills in FY1996 to its current rate of 4.5 mills. The Borough also has a 3% sales tax, which is applied only to the first \$500 of each separate sale. Taxable sales in FY2016 were \$1,008 million, a decrease of 1.0% from the prior year but a 15.0% increase from FY2010. Most of the decrease for FY2016 is attributed a reduction in sales tax collected on fuel sales due to a drop in the price of oil. The overall increase from FY2010 reflects an improving economy recovering from the recession of 2009. Sales tax continues to generate a larger portion of the Borough's revenue; in FY1998, sales tax revenue represented 21% of total General Fund revenues; in FY2016, sales tax revenues represented almost 40%. It should be noted that the sales tax rate went from 2% to 3% effective January 1, 2008.

Oil and gas continues to play a vital role in the Borough's economy, although the players have changed. Large national and multinational companies have been replaced by independents, which resulted in a resurgence in exploration and production. This has led to new wells in the Anchor Point and Kenai area, jack up rigs being used throughout Cook Inlet, along with increased exploration in other areas of the Borough, resulting in an increase in assessed value for oil and gas properties. Assessed values for oil and gas properties increased from \$635 million for 2009, to \$1,224 million in FY2016. During this same time frame, oil production has increased from approximately 7,500 barrels per day to approximately 17,900 barrels per day.

Increased oil and gas exploration has also had an impact on the Borough's unemployment rate. The unemployment rate decreased from 10.0% in 2010; to 9.5% for 2011; to 8.6% for 2012, 7.9% in 2013 and 7.8% in 2014. The 2015 unemployment rate for the Borough was 7.8%. The 2015 statewide unemployment average was 6.5%. The Borough's unemployment rate for the first nine

months of 2016 is 8.4% as compared to the first nine months of 2015 of 7.8%. Traditionally the Borough's unemployment rate has been 2% to 3% higher than the statewide rate, much of this due to the seasonality of work in the fishing and tourism industry. Due to the decrease in the price of oil, the borough's unemployment rate is expected to increase in 2016 and 2017 as oil companies have announced a reduction in the amount of drilling and exploration. The impact to the Borough if the global reduction in the price of gas and oil continues is unknown at this time. In addition, with the phase out the tax credit program from the State of Alaska, it is expected that both the Borough and the State will see a reduction in oil and gas exploration.



Application for General Obligation Bonds

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase a revenue bond issue of the applicant. This isn't considered a commitment on the part of the applicant or the Bond Bank. Additional information may be requested before a final recommendation.

I. General Information

A. Name of Governmental Unit (Applicant):

South Kenai Peninsula Hospital Service Area (Kenai Peninsula Borough)

B. Type of government (home rule, first class, authority, etc.):

Service Area Second Class Borough

C. Contact Person for the government:

| | | | | | | | | | |
|----------|------------------|--|--|--------|------------------|--------|----|---------|--|
| Name: | Craig Chapman | | | Title: | Finance Director | | | | |
| Address: | 144 N Binkley St | | | City: | Soldotna | State: | AK | Zip: | 99611 |
| Phone: | (907) 714-2171 | | | Fax: | | | | E-mail: | cchapman@borough.kenai.ak.us |

D. Applicant's Bond Counsel:

| | | | | | | | | | |
|----------|--------------------------|--|--|--------|-------------------|--------|----|---------|--|
| Name: | Jermain Dunnagan & Owens | | | Title: | Cynthia Cartledge | | | | |
| Address: | 3000 A Street, Suite 300 | | | City: | Anchorage | State: | AK | Zip: | 99503 |
| Phone: | 907 563-8844 | | | Fax: | | | | E-mail: | ccartledge@jdolaw.com |

E. Applicant's Financial Advisor or Underwriter (if applicable):

| | | | | | | | | | |
|----------|-----|--|--|--------|--|--------|--|---------|--|
| Name: | N/A | | | Title: | | | | | |
| Address: | | | | City: | | State: | | Zip: | |
| Phone: | | | | Fax: | | | | E-mail: | |

II. Issue Information**A. Total amount of bond purchase request:**

Up to \$4,800,000

B. Total term of requested loan:

Fifteen years

C. Preferred principal and interest payment months:principal
/interestinterest
only**D. If a bond election is required, provide a copy of the bond election ordinance and ballot proposition.**

Attachment # 1

If a bond election has been held, provide the votes for and against the issue(s):

| Yes: | No: | Percent of registered voters casting ballots: |
|-------|-------|---|
| 1,753 | 1,253 | 26.60% |

Does the municipality intend to pledge any specific assets or taxes in addition to property tax?

No

E. Will you need interim financing?

No

1. If applicable, provide interim financing information:

| Amount | Maturity: | Rate: | Lender: |
|--------|-----------|-------|---------|
| | | | |

2. Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing. ☐ Attached ☐ None

N/A

F. Describe project to be financed, including the information requesting in 1-6. If this information is available in a project feasibility study, you may reference and attach it.

Attachment #2

- | | | |
|--|---|--|
| 1. Are engineering and specifications completed? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2. If not, when are they projected for completion? | | |
| 3. Have construction bids been awarded? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 4. Are there additional state or local approvals required? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 5. Describe timing/scheduling plan: | | |

January 2017
Winter/Spring 2017
Winter/Spring 2017

Attachment #2

6. What is the projected completion date?

2018

G. Sources of uses of funds

| Sources of Funds | | Uses of Funds | |
|--------------------------|--------------|------------------|--------------|
| Bonds (this application) | \$ 4,800,000 | Construction | \$ 4,770,000 |
| Federal Funds* | \$ | Engineering | \$ 450,000 |
| State Funds* | \$ | Contingency | \$ - |
| Applicant's Funds | \$ 450,000 | Cost of Issuance | \$ 30,000 |
| Other (specify) | \$ | Other | \$ - |
| Total: | \$ 5,250,000 | Total: | \$ 5,250,000 |

*If federal or state funds are involved, provide a complete description of the status and uses of these funds.

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:

All eligible cost of the project would be charged to bond proceeds

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds.

Attachment # 3.1

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? ☐ Yes ☐ No

No

If yes, provide amount of financed, purpose and principal amount outstanding. \$

C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects? ☐ Yes ☐ No

No

If yes, please attach details. ☐ Attached

D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds? ☐ Yes ☐ No

No

If yes, please attach an explanation. ☐ Attached

E. Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds? ☐ Yes ☐ No

No

If yes, please attach an explanation. ☐ Attached

F. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued. ☐ Attached.

Attachment # 3

G. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy. ☐ Attached

Attachment # 4

H. Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application.) ☐ Attached

Attachment # 5

I. Are any of the community's major employers expected to make changes in work force or operations?

Attachment # 5

If yes, provide an explanations. ☐ Attached

J. Please provide population figures for your community for the last five years. Indicate the source of your figures.

| Year | Population | Source |
|--------------|------------|----------------------------|
| July 1, 2015 | 57,763 | Alaska Department of Labor |
| July 1, 2014 | 57,415 | Alaska Department of Labor |
| July 1, 2013 | 56,862 | Alaska Department of Labor |
| July 1, 2012 | 56,762 | Alaska Department of Labor |
| July 1, 2011 | 56,610 | Alaska Department of Labor |

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years. ☐ Attached

Attachment # 6

M. Provide your audited financial statements from the last two years.

Attachment # 7

N. Provide your current year's budget.

Attachment # 8

O. Provide your capital improvement plan.

Attachement # 9

P. Provide any other financial or economic information that will assist evaluation of your application. ☐ Attached

IV. Legal Information

- A. Provide a certificate of your legal counsel that establishes there is no litigation pending or threatened in any court
1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or
 2. against your government or involving any of the property or assets of or under the control of your government, which , whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.
- B. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.
- C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation

due from Colette prior to the bond bank board meeting

Attachment # 10

The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge

Craig C Chapman

Name (print)

Kenai Peninsula Borough, Finance Director

Title

Craig C Chapman

Signature

12/30/2016

Date of Application

Please return all applications to:

Deven Mitchell

Alaska Municipal Bond Bank Authority

Department of Revenue

PO Box 110405

Juneau, AK 99811-0405

(907)465-2388 phone

(907)465-2389 fax

deven_mitchell@revenue.state.ak.us



333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

TO: AMBBA Board Members
Mark Pfeffer, Pam Leary, Luke Welles,
Gregory Gursey, Michael Lamb

DATE: February , 2017

FROM: Deven Mitchell, Executive Director **TELEPHONE:** 465-3750

Following are updates on items not covered in the February 9, 2016 Agenda:

The Bond Bank's ongoing disclosure commitments of the Bond Bank have been met through posting of the annual reserve sufficiency statement from the Chairperson, the fiscal year 2016 audited financial statements, and the fiscal year 2016 annual report. The audited financial statements and annual report are posted on the Bond Bank's web site.

The Governor's proposed fiscal year 2018 budget includes the appropriations to the Bond Bank to replenish any reserve that suffers a draw due to a default of a borrower as well as an appropriation of any excess earnings to the Bond Bank.

Upcoming travel –

Ryan and I are planning to travel to New York City for the pricing of the 2017A bonds. The travel has been approved by both the Commissioner of Revenue and the Governor's Office.

I will be travelling to Anchorage on February 22 to meet with Mark on potential future financing.

Bond Bank's budget has been submitted and the first House Finance sub-committee hearing is on Saturday February 11.