ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Unaudited Financial Statements

December 31, 2010 and 2009

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Balance Sheets

December 31, 2010 and 2009

(in thousands)

Assets		2010	2009
Current assets:			
Cash (note 3)	$	661	134
Other		397	25
Interest receivable - investments		79	1
Interest receivable - loans		1,801	1,941
Investments (note 3)		134	-
Loans receivable (notes 4 and 11)		10,901	8,408
Restricted investments (note 3)		60,295	61,269
Total current assets		74,268	71,778
Noncurrent assets:			
Interest receivable - loans, net (note 6)		1,535	1,849
Investments (note 3)		30,537	25,712
Loans receivable, net (notes 4, 5 and 11)		60,155	103,465
Restricted:			
Cash (note 3)		1,611	220
Other		73	451
Due from State of Alaska		836	1,715
Interest receivable - investments		116	25
Interest receivable - loans, net (note 6)		18,924	17,220
Investments (note 3)		74,595	67,920
Loans receivable, net (notes 4, 5 and 11)		515,733	496,289
Debt issue cost, net (note 9)		2,773	3,646
Total noncurrent assets		706,888	718,512
Total assets	$	781,156	790,290

See accompanying Notes to Financial Statements.

(Continued)

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Balance Sheets

December 31, 2010 and 2009

(in thousands)

Liabilities and Net Assets		2010	2009
Liabilities:			
Current:			
Payable from unrestricted assets:			
Due to State of Alaska	$	5	120
Due to U.S. Dept of Education (note 11)		302	-
Warrants outstanding		229	162
Accounts payable		647	617
Payable from restricted assets:			
Due to US Dept of Education (note 11)		939	2,400
Warrants outstanding (note 4)		191	432
Accounts payable		31	9
Arbitrage rebate payable (note 10)		-	1,637
Return of capital payable (note 12)		8,811	10,338
Interest payable		3,780	3,603
Deferred credit (note 2)		2,374	2,243
Bonds payable (note 7)		46,865	24,168
Other debt payable (note 8)		2,751	-
Total current liabilities		66,925	45,729
Noncurrent-payable from restricted assets:			
Arbitrage rebate payable (note 10)		1,229	1,016
Return of capital payable (note 12)		3,633	3,545
Deferred credit (note 2)		-	3,332
Bonds payable, net (note 7)		319,624	496,615
Loan payable to State of Alaska (note 8)		67,500	55,000
Other debt payable (note 8)		108,278	-
Total noncurrent liabilities		500,264	559,508
Total liabilities		567,189	605,237
Commitments and contingencies (note 12)		-	-
Net assets:			
Unrestricted (note 2)		105,016	144,977
Restricted		108,951	40,076
Total net assets		213,967	185,053
Total liabilities and net assets	$	781,156	790,290

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Statements of Revenue, Expenses
and Changes in Net Assets

Six Months ended December 31, 2010 and 2009

(in thousands)

		2010	2009
Operating revenue:			
Interest - loans, net (note 6)	$	17,590	16,414
Investment income		31	621
Other		9	6
Total operating revenue		17,630	17,041
Operating expenses:			
Interest		5,910	5,739
Administration		6,849	7,835
Provision for:			
Loan losses (note 5)		(1,494)	1,673
Forgiveness (note 5)		2	-
Amortization of debt issue costs (note 9)		344	100
Total operating expenses		11,611	15,347
Operating income		6,019	1,694
Nonoperating expense, excluding return of capital:			
Interest		1,266	1,539
Administration		14	10
Amortization of debt issue costs (note 9)		83	83
Nonoperating expense		1,363	1,632
Income before effect of change in accounting estimate, special item and return of capital		4,656	62
Effect of change in accounting estimate (note 7)		-	4,342
Special item - gain on cancellation of bonds (note 7)		4,734	-
Return of capital (note 12)		(33)	-
Change in net assets		9,357	4,404
Total net assets-beginning		204,610	180,649
Total net assets-ending	$	213,967	185,053

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Statements of Cash Flows

Six Months ended December 31, 2010 and 2009

(in thousands)

		2010	2009
Cash flows from operating activities:			
Principal repayments received on loans	$	32,273	28,061
Interest received on loans		10,015	11,147
Other receipts		449	201
Loans originated		(6,383)	(45,913)
Administration		(7,581)	(7,289)
Interest paid on debt		(6,346)	(5,441)
Principal paid on debt		(35,087)	-
Proceeds from State loan		4,500	55,000
Debt issue costs		(45)	-
Income received on investments		(206)	591
Investments matured or sold		356,359	1,815,296
Investments purchased		(337,510)	(1,842,033)
Net cash provided by operating activities		10,438	9,620
Cash flows from capital activities:			
Administration		(4)	(10)
Interest paid on debt		(1,752)	(2,144)
Principal paid on debt		(8,370)	(8,215)
Return of capital payments		(497)	(297)
Net cash used for capital activities		(10,623)	(10,666)
Net decrease in cash		(185)	(1,046)
Cash at beginning of period		2,457	1,400
Cash at end of period	$	2,272	354

See accompanying Notes to Financial Statements.

(Continued)

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Statements of Cash Flows

Six Months ended December 31, 2010 and 2009

(in thousands)

		2010	2009
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	6,019	1,694
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease (increase) in other assets		(46)	542
Decrease (increase) in interest receivable - investments		(169)	14
Decrease (increase) in net interest receivable - loans		(74)	832
Decrease (increase) in investments		19,412	(26,781)
Decrease (increase) in net loans receivable		17,666	(21,700)
Decrease in net debt issue costs		360	101
Increase in due to U.S. Department of Education		65	1,602
Decrease in net due to State of Alaska		(1,355)	(2,086)
Increase in warrants outstanding		132	150
Increase in accounts payable		164	140
Decrease in arbitrage rebate payable		(631)	-
Increase in interest payable		110	741
Decrease in deferred credit		(81)	(185)
Decrease in bonds payable		(31,413)	(444)
Increase in loan payable to State		279	55,000
Total adjustments		4,419	7,926
Net cash provided by operating activities	$	10,438	9,620
Summary of noncash capital activities that affect recognized assets and liabilities:			
Debt issuance cost amortization	$	83	83
Return of capital payable		33	-
Interest payable		1,547	1,943
Bond premium amortization		(83)	(403)

See accompanying Notes to Financial Statements.

(1) Authorizing Legislation and Organization

The Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska (State), was created in 1987 by an act of the State Legislature (Legislature). The purpose of the Corporation is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. The Corporation is authorized, with certain limitations, to issue bonds and other obligations necessary to provide sufficient funds for carrying out its purpose.

The State Governor appoints the Corporation's Board of Directors (Board) and the Alaska Commission on Postsecondary Education (Commission) staff serve as staff for the Corporation. The Commission is a separate legal entity responsible for staff costs; therefore, the Corporation has no pension disclosure.

(2) Summary of Significant Accounting Policies

(a) *Fund Accounting*

The financial activities of the Corporation, which are restricted by the Corporation's various debt instruments and State statutes, are recorded in various funds as necessitated by sound fiscal management. The funds are combined for financial statement purposes and there are no significant interfund transactions. The Corporation's funds are considered to be proprietary funds further classified as enterprise funds for financial reporting purposes with revenues recognized when earned and expenses when incurred.

(b) *Standard Application*

As allowed by Government Accounting Standards Board Statement No. 20 (GASB No. 20), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Corporation has elected not to apply Statements and Interpretations issued by the Financial Accounting Standards Board after November 30, 1989.

(c) *Fiscal Year*

The Corporation's fiscal year begins July 1 and ends June 30, consistent with the State's fiscal year.

(d) *Operating Revenues and Expenses*

The Corporation was created with the authority to issue bonds and other obligations in order to finance education loans to qualified borrowers. Its operating revenue is derived from interest on education loans and earnings on investments. The cost of financing and servicing education loans is recorded as an operating expense.

(2) Summary of Significant Accounting Policies (cont.)

(e) ***Management Estimates***

In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts. Actual amounts could differ from estimates. The significant accounting and reporting estimates applied in the preparation of the accompanying financial statements are discussed below.

(f) ***Loans***

Loans represent education loans issued through the AlaskAdvantage Loan Program® which include Supplemental Education, Alternative Consolidation, Teacher Education (TEL), Family Education (FEL), (collectively referred to as Alternative or State loans), federally guaranteed Stafford (subsidized and unsubsidized), PLUS and Consolidation (subsidized and unsubsidized) loans (collectively referred to as Federal loans). Loan terms vary depending on the year of origination and loan type. Interest accrues at fixed and variable rates ranging from 1.87% to 9% and is generally determined by loan type and origination date.

(g) ***Loan Allowances***

The allowance for doubtful loans represents management's estimate, based on experience, of loans that will ultimately be uncollectible. The Corporation charges off Alternative loans to the allowance upon death, bankruptcy (as required by law), total disability, or when payment activity ceases and the loan is no longer credit reportable. The Corporation charges off the portion of Federal loan balances not guaranteed and deemed uncollectible.

The allowance for forgiveness represents management's estimate, based on experience, of the loan forgiveness that will ultimately be granted. A borrower of a TEL can obtain up to 100% forgiveness of loan principal if the borrower teaches in rural Alaska for periods specified by the program. A borrower of Alternative loans prior to July 1, 1987, can obtain up to 50% forgiveness of loan principal if the borrower meets conditions specified by the program.

(h) ***Interest on Loans***

Interest on loans is accrued when earned. For federally guaranteed subsidized loans, interest from the disbursement date of the loan until a date that is six months after the student withdraws from school (plus any authorized deferment periods) is paid by the U.S. Department of Education under the Federal Family Education Loan Program. The borrower is responsible for interest subsequent to that date.

For federally guaranteed non-subsidized loans and for all Alternative loans (other than TEL) awarded after June 30, 2002, interest from the disbursement date is the responsibility of the borrower. For TELs awarded after June 30, 2002, interest from the date the student ceases to be enrolled in school is the responsibility of the borrower.

(2) Summary of Significant Accounting Policies (cont.)

(h) ***Interest on Loans (cont.)***

Alternative loans (other than FEL) awarded prior to July 1, 2002, are non-interest bearing while the borrower is completing eligible studies. Alternative loans (other than FEL) awarded prior to July 1, 1996, are non-interest bearing during approved periods of deferment and postponement. Alternative loans awarded (other than FEL) prior to July 1, 1987, are also non-interest bearing during a one-year grace period following completion of studies and a six-month grace period following an approved deferment. For FELs awarded prior to July 1, 2002, interest from the disbursement date is the responsibility of the borrower.

Non-interest bearing loans were approximately $4,456 and $5,016 at December 31, 2010 and 2009, respectively.

The cost of borrower benefits the Corporation offers to eligible borrowers is recorded as a reduction in interest on loans. The borrower benefit offerings are approved by the Board annually and may vary from year-to-year.

(i) ***Interest Allowances***

The allowance for doubtful interest represents management's estimate, based on experience, of all accrued and unpaid interest that will ultimately be uncollectible. The Corporation charges off accrued and unpaid interest when the related loan is charged off.

The allowance for forgiveness represents management's estimate, based on experience, of the accrued interest that will ultimately be forgiven. A borrower of a TEL can obtain up to 100% forgiveness of loan interest if the borrower teaches in rural Alaska for periods specified by the program. A borrower of Alternative loans prior to July 1, 1987, can obtain up to 50% forgiveness of loan interest if the borrower meets conditions specified by the program.

(j) ***Deferred Credit***

Borrowers of Alternative loans after June 30, 1994, are subject to an origination fee at disbursement of 1%, 3% or 5%, generally determined by loan origination date. Loan origination fees, recognized as a deferred credit, must be used by the Corporation to offset losses incurred as a result of death, disability, default or bankruptcy of the borrower as required by State statute. The allowance for doubtful loans has been reduced by the deferred credit balance.

(k) ***Debt Issuance Costs***

Debt issuance costs include underwriters' fees and other costs incurred in connection with the issuance of debt and are amortized over the life of the debt using the straight-line method.

(2) Summary of Significant Accounting Policies (cont.)

(l) ***Bond Premiums***

The Corporation changed its method of amortizing bond premiums over the life of the bond from the straight-line method to the effective method effective July 1, 2009. See additional information at note 7.

(m) ***Income Taxes***

The Corporation, as a governmental instrumentality, is exempt from federal and state income taxes.

(n) ***Investments***

Investments are carried at fair value and trades are recorded on a trade-date basis. Securities are valued at least monthly using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type.

(o) ***Unrestricted Net Assets***

Unrestricted net assets represent assets not pledged as collateral to secure payment of debt or restricted by state statute.

(p) ***Reclassifications***

Reclassifications not affecting change in net assets have been made to the 2009 financial statements to conform to the 2010 presentation.

(3) Cash and Investments

(a) ***Cash***

(1) Cash summarized by classification at December 31 is shown below:

		2010	2009
Current, unrestricted	$	661	134
Noncurrent, restricted		1,611	220
Total	$	2,272	354

(2) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation has not established a custodial credit risk policy for its deposits.

(3) Cash and Investments (cont.)

(a) ***Cash***

At December 31, 2010, the Corporation had no cash exposed to custodial credit risk; however, the corporation did choose to invest in money market deposit accounts that are subject to custodial credit risk [see note (3)(b)(3)].

(b) ***Investments***

(1) The fair value at December 31, of the Corporation's investments, by classification, is shown below:

		2010	2009
Current:			
Unrestricted	$	134	-
Restricted		60,295	61,269
Noncurrent:			
Unrestricted		30,537	25,712
Restricted		74,595	67,920
Total	$	165,561	154,901

(2) Investment Policies

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested.

Restricted funds, other than those restricted by State statute, are invested according to the terms outlined in their respective debt instruments which generally mandate the purchase of relatively short-term, high quality fixed income securities. Investments are managed by staff or by the State of Alaska's Department of Revenue, Treasury Division (Treasury). The following securities are eligible for investment of restricted funds under the Corporation's investment policy:

- Under the 2002 and 2004 Master Indentures, the 2009 Loan Trust, and the 2010 Funding Note Purchase Agreement (FNPA), direct general obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States (U.S.) or any agency thereof, provided such obligations are backed by the full faith and credited of the U.S. Under the 2005 Master Indenture, direct obligations of the U.S.

- Under the 2005 Master Indenture, senior debt obligations, rated AAA by Standard and Poor's (S&P), issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC), obligations of the Resolution Funding Corporation, senior debt obligations of the Federal Home Loan Bank, and

(3) Cash and Investments (cont.)

(b) ***Investments***

(2) Investment Policies

senior debt obligations of any government sponsored agencies approved by the bond insurer.

- Under the 2002 and 2004 Master Indentures, U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of at least A-1+ by S&P and P-1 by Moody's and maturing no more than 360 days after the date of purchase. Under the 2005 Master Indenture, such investments are allowed if the rating from S&P is A-1 or better on the date of purchase.

- Under the 2002 and 2004 Master Indentures, commercial paper which is rated at the time of purchase of at least A-1+ by S&P and P-1 by Moody's. Under the 2005 Master Indenture, such investments are allowed if rated A-1+ or better by S&P at the time of purchase and if the investment matures not more than 270 days after the date of purchase. Under the FNPA, such investments are allowed if rated A-1+ by S&P and F1+ or higher by Fitch at the time of purchase.

- Under the 2009 loan trust, short term investments with domestic commercial banks maturing not more than 365 calendar days after the date of purchase, provided, however, that such investments are unconditionally guaranteed by the US; or fully collateralized by securities which are unconditionally guaranteed by the US or that the long-term unsecured debt obligations of such depository institution or trust company at and during the term of such investment are rated at least in the second highest rating category possible.

- Under the FNPA, demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits and certificates of deposit or bankers acceptances of depository institutions having a long-term rating equivalent of AAA or higher by S&P and Fitch at the time of and during investment.

- Under the 2002 and 2004 Master Indentures, investments in money market funds rated AAAm or AAAm-G or better by S&P and Aaa by Moody's. Under the 2005 Master Indenture, such investments are allowed if rated AAAm or AAAm-G or better by S&P. Under the 2009 Loan Trust, such investments are allowed if rated at least "Aaa" by S&P or otherwise in the highest rating category of S&P for money market funds and at least "AA" or "F-1+" by Fitch if the money market fund has the ability to maintain a stable one dollar net asset value per share and the shares are freely transferable on a daily basis. Under the FNPA, such investments are allowed if rated in the highest investment category granted thereby from S&P and Fitch.

(3) Cash and Investments (cont.)

(b) ***Investments***

(2) Investment Policies

- Under the 2002 and 2004 Master Indentures, general obligations of any state or municipality with a rating of at least A by S&P and Aaa by Moody's. Under the 2005 Master Indenture, general obligations of states with a rating of A or higher by S&P.

- Under the 2004 and 2005 Master Indentures, repurchase agreements for 30 days or less provided they are with banks, or primary dealers on the Federal Reserve reporting dealer list, rated A or better by S&P and Moody's. Under the FNPA, repurchase and reverse repurchase agreements collateralized with obligations fully and unconditionally guaranteed as to timely payment by, the U.S. government or any agency, instrumentality, or establishment of the U.S. government.

- Under the 2002 Master Indenture, guaranteed investment contracts, investment agreements and repurchase agreements secured by collateral. Under the 2004 Master Indenture, such contracts or agreements must be acceptable to the bond insurer.

- Under the 2005 Master Indenture, investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least AA by S&P and Aa by Moody's.

- Under the 2002 Master Indenture, unsecured guaranteed investment contracts or investment agreements with any bank, bank holding company, corporation or any other financial institution meeting the following:

	Ratings			
	Commercial Paper		Unsecured Long-term Debt	
Maturity	Standard and Poor's	Moody's	Standard and Poor's	Moody's
12 months or less	A-1+	P-1	-	-
24 months or less	A-1+	P-1	A-	Aa3
more than 24 months	A-1+	P-1	AA-	Aa3

Under the 2004 Master Indenture, such contracts and agreements must be acceptable to the bond insurer.

(3) Cash and Investments (cont.)

(b) ***Investments***

(2) Investment Policies

- Under the 2009 loan trust, holdings in any of the various fixed-income pools managed by the State's Department of Revenue, Treasury Division.
- Under the 2002 Master Indenture, any other investment approved in writing by Standard and Poor's and Moody's. Under the 2004 Master Indenture, any other investment approved in writing by S&P, Moody's and the bond insurer.

Unrestricted funds and funds restricted by State statute may be invested in the various fixed-income pools managed by Treasury. Investments in the State's fixed-income investment pools are made in accordance with the State's General Investment Policy. These investments represent an ownership share of the pool's securities rather than ownership of specific securities themselves. Actual investing is performed by Treasury's investment officers.

A complete description of the investment policy for each of the State's fixed-income investment pools is included in the Department of Revenue, Treasury Division's, Policies and Procedures.

In addition to the State's fixed-income investment pools, the following securities are eligible for investment of unrestricted funds and funds restricted by State Statute under the Corporation's investment policy:

- Direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and also unconditionally guaranteed as to the timely payment of principal and interest by the U.S.
- Bonds, notes or other evidences of indebtedness rated "AAA/Aaa" and issued by federal agencies which do not represent the full faith and credit of the U.S.
- Bonds, notes or other evidences of indebtedness rated "A" or better and issued by domestic municipalities.
- Corporate bonds and convertible securities rated "A" or better.
- Collateralized mortgage obligations originated from a federal agency.
- Collateralized investment contracts and repurchase agreements.
- Uncollateralized investment contracts as long as the investment provider's long-term rating is and remains the highest possible throughout the contract term.
- Fixed income money or mutual funds rated "A" or better.

(3) Cash and Investments (cont.)

(b) ***Investments***

(2) Investment Policies

- Certificates of deposit and term deposits of U.S. domestic financial institutions or trust companies which are members of the Federal Deposit Insurance Corporation as long as collateralized at 100% of principal and accrued unpaid interest or that the long-term unsecured debt obligations of such depository institution or trust company at and during the term of such investment are rated at least in the second highest rating category possible.

- Short-term domestic corporate promissory notes (commercial paper) payable in U.S. dollars as long as the provider's short-term rating is A or better throughout the investment term.

(3) Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Corporation mitigates its credit risk by limiting investments to those permitted in the investment policies, diversifying the investment portfolio, and pre-qualifying firms with which the Corporation administers its investment activities.

(3) Cash and Investments (cont.)

(b) ***Investments***

(3) Credit Risk

The fair value of the Corporation's investments by type and credit quality ratings, as described by a nationally recognized rating service, at December 31 is shown below (using S&P's rating scale without modifiers):

Investment Type	Ratings	2010	2009
Pooled repurchase agreement account	Not rated	$ -	1,448
U.S. Government agencies	AAA	24,285	-
U.S. Government agencies	Not rated	17,316	37,143
Corporate bonds	AA	5,499	-
Corporate bonds	A	4,846	-
Fixed income mutual funds	Not rated	4,493	-
Money market funds	AAA	11,516	6,731
Bank deposit account	Not rated	66,139	74,214
Guaranteed investment contracts	Not rated	9,221	10,650
Internal investment pools	Next schedule	14,260	13,757
U.S. Treasury securities	No credit exposure	7,986	10,958
Total		$ 165,561	154,901

At December 31, 2010, the Corporation had $66,139 invested in a bank deposit account exposed to custodial credit risk.

(3) Cash and Investments (cont.)

(b) ***Investments***

(3) Credit Risk

Treasury's investment policy for the State's internal investment pools has the following limitations with regard to credit risk.

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities are limited to those rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: S&P, Moody's and Fitch.

Intermediate-term Fixed Income Pool investments are limited to securities with a long-term credit rating of at least Baa3 or equivalent and securities with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated investment grade. Investment grade is defined as the median rating of the three rating agencies previously mentioned.

Asset-backed and non-agency mortgage securities may be purchased by either pool if rated AAA or equivalent by one of the rating agencies previously mentioned.

The Corporation invests in the State's internally managed Intermediate-term Fixed Income Pool and the General Fund and Other Non Segregated Investments Pool (GeFONSI). GeFONSI consists of investments in the State's internally managed Short-term and Intermediate-term Fixed Income Pools.

(3) Cash and Investments (cont.)

(b) *Investments*

(3) Credit Risk

The fair value of the Corporation's share of the State's internal investment pools by type and credit quality ratings were not available at December 31. Credit quality ratings for the Corporation's share of such pools at June 30 are as shown below (using Standard and Poor's rating scale without modifiers):

Investment Type	Rating		Short-term Fixed Income Pool	Intermediate-term Fixed Income Pool	Totals 2010	Totals 2009
Commercial paper	A-1	$	20	-	20	13
Commercial paper	Not Rated		69	-	69	59
U.S. Government agency	AAA		18	1,146	1,164	3,394
U.S. Government agency	Not Rated		100	5	105	121
U.S. Gov. agency discount notes	Not Rated		-	249	249	-
Mortgage-backed	AAA		14	546	560	942
Mortgage-backed	BBB		-	30	30	3
Mortgage-backed (agency)	Not Rated		1	70	71	207
Other asset-backed	AAA		363	6	369	174
Other asset-backed	AA		-	4	4	16
Other asset-backed	A		-	7	7	22
Other asset-backed	Not Rated		29	-	29	-
Corporate bonds	AAA		715	790	1,505	771
Corporate bonds	AA		32	215	247	236
Corporate bonds	A		64	351	415	445
Corporate bonds	BBB		-	135	135	220
Corporate bonds	Not Rated		23	62	85	-
Yankees:						
Government	AA		-	98	98	92
Corporate	AAA		10	219	229	330
Corporate	AA		3	110	113	161
Corporate	A		-	56	56	73
Corporate	BBB		-	10	10	21
Corporate	Not Rated		10	6	16	6
No credit exposure:						
U.S treasury notes			-	3,390	3,390	-
U.S. treasury bills			217	-	217	-
U.S. treasury when-issued			34	4,404	4,438	-
Pool related net assets (liabilities)			(7)	190	183	6,011
Total		$	1,715	12,099	13,814	13,317

(3) Cash and Investments (cont.)

(b) ***Investments***

(4) Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of investments in a single investment provider.

For investment contracts, the investment providers will be limited to providing investments to the lesser of $50,000 or 5% of total investments at the time the investment is made. These diversification standards are not applicable to investments in direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and are also unconditionally guaranteed as to the timely payment of principal and interest by the U.S. or bonds, notes or other evidences of indebtedness rated "AAA/Aaa" and issued by the FNMA or the FHLMC.

Investment Holdings Greater than Five Percent of Total Investments

An allocation of investment holdings by security in the State's internal investment pools was not available at December 31, 2010; therefore, investment holdings greater than five percent of total investments could not be determined. At June 30, 2010 the Corporation had investment balances greater than five percent of the Corporation's total investments with the following investment providers:

	Fair Value	Percent of Total Investments
FSA Management Services, LLC	$ 9,949	5.38
US Bank	112,381	60.76

(3) Cash and Investments (cont.)

(b) *Investments*

(5) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation mitigates interest rate risk by structuring maturities to meet cash requirements.

Duration

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a portfolio is the average fair value weighted duration of each security in the portfolio taking into account all related cash flows.

The Corporation uses industry-standard analytical software developed by CMS Bond Edge and Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the duration calculation.

At December 31, 2010, the weighted average modified duration of investments, other than investments in the State's internal investment pools, is shown below:

Guaranteed investment contracts	5.41
U.S. Treasury securities	1.69
U.S. Government agency securities	1.87
Corporate securities	5.18
Portfolio modified duration	2.82

The Corporation has not established an interest rate risk policy for such investments.

Through its investment policy, Treasury manages exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its Intermediate-term Fixed Income Pool to ± 20% of the Merrill Lynch 1-5 year Government Bond Index. At June 30, 2010 the effective duration for the Merrill Lynch 1-5 year Government Bond Index was 2.49 years.

(3) Cash and Investments (cont.)

(b) ***Investments***

(5) Interest Rate Risk

The Intermediate-term Fixed Income Pool's effective duration by investment type was not available at December 31. At June 30, 2010, the Intermediate-term Fixed Income Pool's effective duration, by investment type, follows:

Corporate bonds	2.24
Mortgage-backed	1.71
Other asset-backed securities	0.65
U.S. treasury notes	2.91
U.S. treasury when-issued	2.73
U.S. government agency	1.69
U.S.government agency discount notes	0.67
Yankees:	
Government	2.65
Corporate	1.87
Portfolio effective duration	2.47

As a means of limiting the Short-term Fixed Income Pool's exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life at purchase. Floating rate securities are limited to three years in maturity or three years expected average life at purchase. Treasury utilizes the actual maturity date for commercial paper and twelve month prepay speeds for other securities. The expected average live of fixed rate securities held in the short-term Fixed Income Pool was not available at December 31, 2009. At June 30, 2010, the expected average life of fixed rate securities held in the Short-term Fixed Income Pool ranged from one day to twenty-nine years and the expected average life of floating rate securities ranged from one day to nine and three-quarters years.

(3) Cash and Investments (cont.)

(c) Cash and investments include amounts specifically designated for financing education loans at December 31, as follows:

		2010	2009
Noncurrent:			
Unrestricted	$	-	125
Restricted		5,281	19,033
Total	$	5,281	19,158

(4) Loans Receivable

(a) The loan portfolio summarized by classification at December 31, is as shown below:

		2010		2009	
		State	Federal	State	Federal
Current, unrestricted	$	10,806	95	8,156	252
Noncurrent:					
Unrestricted		97,489	2,095	111,100	17,291
Restricted		397,971	189,093	419,660	167,524
Total	$	506,266	191,283	538,916	185,067

(4) Loans receivable (cont.)

(b) Loans are financed by the issuance of tax-exempt revenue bonds, recycled loan payments, and proceeds from a State funded loan. The loan portfolio summarized by program at December 31, follows:

		2010	2009
State Supplemental Loans	$		
Supplemental Education		415,882	435,738
Consolidation		77,797	89,458
Teacher Education		7,782	7,966
Family Education		4,805	5,754
Total Supplemental Loans		506,266	538,916
Federal Family Education Loans			
Stafford		160,407	153,168
PLUS		8,090	7,840
Consolidation		22,786	24,059
Total Federal Loans		191,283	185,067
Total	$	697,549	723,983

(4) Loans receivable (cont.)

(c) The loan portfolio summarized by status at December 31, follows:

		2010		2009	
		State	Federal	State	Federal
Enrollment	$	52,668	48,048	71,510	74,888
Grace		7,344	12,469	9,520	11,413
Repayment		382,518	90,918	385,666	69,275
Deferment		62,192	25,029	61,826	21,241
Forbearance		1,544	14,819	10,394	8,250
Total	$	506,266	191,283	538,916	185,067

(d) Included in loans receivable are $184 and $421 of loan warrants issued but not redeemed by borrowers at December 31, 2010 and 2009, respectively. Redemption is contingent upon the borrower meeting certain eligibility requirements.

(e) Loans awarded not disbursed at December 31, are as follows:

		2010	2009
State Alternative Loans			
Supplemental Education	$	4,982	5,211
Teacher Education		241	226
Family Education		213	264
Total Alternative Loans		5,436	5,701
Federal Family Education Loans			
Stafford		-	12,286
PLUS		-	1,171
Total Federal Loans		-	13,457
Total	$	5,436	19,158

(5) Loan Allowances

(a) A summary of activity in the allowance for doubtful loans at December 31 follows:

		2010	2009
Balance at beginning of period	$	110,701	112,709
Provision for doubtful loans		(1,494)	1,673
Net loans charged off		(276)	(481)
Balance at end of period	$	108,931	113,901

(b) A summary of activity in the allowance for principal forgiveness at December 31 follows:

		2010	2009
Balance at beginning of period	$	1,962	1,993
Provision for forgiveness		2	-
Forgiveness granted		(135)	(73)
Balance at end of period	$	1,829	1,920

(6) Loan Interest Allowances

(a) A summary of activity in the allowance for doubtful interest at December 31 follows:

		2010	2009
Balance at beginning of period	$	27,175	27,547
Provision for doubtful interest		397	952
Net interest charged off		(100)	(242)
Balance at end of period	$	27,472	28,257

(b) A summary of activity in the allowance for interest forgiveness at December 31 follows:

		2010	2009
Balance at beginning of period	$	296	256
Provision for forgiveness		-	-
Forgiveness granted		(36)	(16)
Balance at end of period	$	260	240

(7) Bonds Payable

(a) Bonds payable at December 31 consist of the following:

	Type	Original Amount	Amount Outstanding 2010	Amount Outstanding 2009
2002 Master Indenture, Education Loan:				
2002: Series A, due 2011 to 2037	Auction	$ 47,500	36,800	21,100
Series B, due 2037	Auction	15,000	-	15,000
2003: Series A-1, due 2011 to 2016	Auction	16,500	-	16,500
Series A-2, due 2038	Auction	30,500	-	30,500
2004: Series A-1, due 2044	Auction	45,500	32,100	45,500
Series A-2, due 2044	Auction	47,600	-	47,600
Serial bonds, Series A-3, rates ranging from 5.0% to 5.25%, due 2011 to 2017	Fixed	22,015	22,015	22,015
2005: Serial bonds, Series A, rate 5%, due 2011 to 2018	Fixed	58,250	48,250	52,750
2006: Series A-1, due 2040	Auction	30,000	30,000	30,000
Serial bonds, Series A-2, rate 5.0%, due 2011 to 2018	Fixed	55,000	48,500	52,000
2007: Series A-1, due 2042	Auction	41,500	28,500	41,500
Serial bonds, Series A-2, rate 5.0%, due 2011 to 2019	Fixed	18,500	18,000	18,500
Serial bonds, Series A-3, rate 5.0%, due 2011 to 2014	Fixed	49,000	30,000	37,000
Sub-total		476,865	294,165	429,965

(7) Bonds Payable (cont.)

	Type	Original Amount	Amount outstanding 2010	Amount outstanding 2009
2004 Master Indenture, Series A Capital Project				
serial bonds, rate 4.0%,				
due 2010 to 2016	Fixed	69,910	30,045	36,710
term bonds, rate 4.0%, due 2018	Fixed	5,230	5,230	5,230
Sub-total		75,140	35,275	41,940
2005 Master Indenture, Series A State Projects				
serial bonds, fixed ranging from 5.0% to 5.5%,				
due 2010 to 2014	Fixed	88,305	32,500	42,500
Total Bonds Payable		$ 640,310	361,940	514,405
Unamortized premium			4,549	6,378
Net Bonds Payable			$ 366,489	520,783
Current			$ 46,865	24,168
Noncurrent			319,624	496,615
Total			$ 366,489	520,783

(b) Effective July 1, 2009, the Corporation changed its method of amortizing bond premiums from the straight-line method to the effective method. The effective method more closely matches premium amortization with bond interest expense, maintaining a constant effective rate of interest over the life of the bonds. The effect of this change in accounting principle could not be separated from the effect of the change in accounting estimate; therefore, it was accounted for as a change in estimate. As a result, change in net assets increased by $4,342 ($1,518 and $2,824 related to operating interest expense and nonoperating interest expense, respectively).

(c) In early February 2008, the auction rate market collapsed. With the exception of the 2007 Series auction rate bonds/securities which auction every seven days, the Corporation's outstanding auction rate securities (ARS) continue to auction every thirty-five days. The Corporation's first auction failure occurred on February 12, 2008 and failures have continued through December 31, 2010. The supplemental indenture related to each series of ARS defines the maximum rate to be assigned to the bonds when an auction fails.

(7) Bonds Payable (cont.)

The following definitions exist for the Corporation's ARS:

Bonds	Maximum Rate (rounded to the nearest one thousandth of 1%)	Rate at December 31, 2010 by Series	
		A-1	A-2
2003	lesser of: (a) 150% of the higher of (i) the after-tax equivalent rate or (ii) the Kenny index; or (b) the Treasury bill cap; or (c) the commercial paper cap; or (d) the lesser of (i) 14% or (ii) the maximum rate permitted by State law (10.5%)	0.720%	0.630%
2004	same as 2003 bonds	0.615%	-
2006	same as 2003 bonds	0.720%	-
2007	same as 2003 bonds except 12% replaces 14% in (d)	0.720%	-

(7) Bonds Payable (cont.)

(d) The minimum payments and sinking fund installments for the five years subsequent to December 31, 2010 and thereafter are as follows:

Period Ending December 31		Principal	Interest	Total
2011	$	44,365	11,477	55,842
2012		45,985	9,350	55,335
2013		40,810	7,279	48,089
2014		36,630	5,341	41,971
2015		18,710	3,929	22,639
2016-2020		54,540	7,957	62,497
2021-2025		-	4,048	4,048
2026-2030		-	4,048	4,048
2031-2035		-	4,048	4,048
2036-2040		60,300	3,428	63,728
2041-2044		60,600	930	61,530
Total	$	361,940	61,835	423,775

(e) Each Master Indenture represents a limited obligation trust which secures payment for the outstanding revenue bonds issued therein. The bonds are payable from assets pledged to the respective trust including principal and interest payments on pledged loans. The bonds do not constitute general obligations of the Corporation or of the State. The 2002 Master Indenture Bonds are private activity revenue bonds. The 2004 and 2005 Master Indenture Bonds are governmental purpose revenue bonds. Debt service payments are due as follows:

Master Indenture	Principal	Interest
2002	June 1 *	June 1 and December 1
2004	July 1 and January 1	July 1 and January 1
2005	July 1 and January 1	July 1 and January 1

* The principal payments on the 2004 series A-1 and A-2 bonds are due April 1st.

Certain bonds are subject to early redemption features, both mandatory and at the option of the Corporation. In addition, the bond indentures contain covenants relative to restrictions on additional indebtedness.

The 2004 Capital Project Revenue Bonds are insured by National Public Finance (formally MBIA Insurance Corporation) and the 2005 State Projects Revenue Bonds are insured by Assured Guaranty Municipal (formally Financial Security Assurance, Inc).

(7) Bonds Payable (cont.)

(f) The Corporation purchased $35,600 of its outstanding auction rate securities on September 21, 2010, for $30,866. On September 21, 2010, the Corporation cancelled the bonds purchased resulting in a gain on the cancellation of $4,734.

(8) Other Debt Payable

(a) On July 17, 2009, the Corporation entered into a Trust and Loan Agreement with the State's Department of Revenue (acting on behalf of the State). The Loan Agreement provides up to $100 million to the Corporation for the purpose of financing education loans. The loan is a four-year bullet loan, due July 17, 2013, accruing interest on the outstanding principal balance using a variable rate of interest equal to the most current rolling five-year average return on the State's general fund. The interest rate for fiscal year 2011 was set at 4.40% and will be reset next July. Interest is payable semi-annually in January and July. The loan is a limited obligation secured by pledged assets. The Corporation has the right to prepay the loan, in whole or in part, at any time, without penalty or premium.

A Trust Agreement was entered into to secure payment of the loan. Loan proceeds drawn are deposited in the trust until education loans are originated. Education loans originated with loan proceeds, payments received on those loans, and earnings on pledged assets are all pledged to the trust.

Loan payable was $67,500 and $55,000 at December 31, 2010 and 2009, respectively.

(b) The Corporation refinanced $118.8 million in Federal Family Education Loan Program (FFELP) loans through participation in the Asset-Backed Commercial Paper Conduit Put Program (Program) authorized by the HEA, as amended by the Ensuring Continued Access to Student Loans Act of 2008. To participate in the Program, the Corporation entered into a variable Funding Note Purchase Agreement (FNPA) dated June 9, 2010, with Straight-A Funding, LLC, who, on June 29, 2010, purchased the variable funding note at 97% of loans pledged.

The FNPA represents a limited obligation secured by pledged loans and other pledged assets, including principal and interest payments on pledged loans. Principal payments will be made from pledged assets as needed to maintain the required asset coverage ratio with the final payment due no later than November 19, 2013. The Corporation has the right to prepay the balance, in whole or in part, at any time, without penalty or premium.

Program financing costs, which include costs associated with commercial paper issued for the Program by Straight-A Funding, LLC, and other Program costs such as liquidity fees, administrative fees, managerial fees and put option fees, are allocated to Program participants monthly based on the participant's prorata share of total FNPA balances at month end. Program financing costs are paid monthly from pledged assets. Ratable financing costs paid by the Corporation through December 2010, was approximately 0.68% of the Corporation's average FNPA balance outstanding.

The FNPA balance at December 31, 2010, was $111,029.

(9) Debt Issue Cost

A summary of debt issue cost activity at December 31 follows:

		2010	2009
Balance at beginning of period	$	3,215	3,829
Reimbursements		(15)	-
Retirements		(211)	-
Amortization		(216)	(183)
Balance at end of period	$	2,773	3,646

(10) Yield Restriction and Arbitrage Rebate

Education loans financed with proceeds of tax-exempt bonds issued by the Corporation are subject to interest rate yield restrictions of no more than 2% over the bond yield. Education loans not financed by but pledged to secure tax-exempt bonds issued by the Corporation are subject to interest rate yield restrictions of no more than the bond yield. Earnings on non-loan investments pledged to bond indentures are subject to rebate provisions or restricted to the related bond yield. These restrictions are in effect over the lives of the bonds. As required by the Internal Revenue Service (IRS), the Corporation calculates and analyzes loan yields every ten years or earlier if necessitated by calling, cancelling or defeasing bonds. Investment yields are calculated and analyzed annually. These analyses are used to determine both compliance with IRS provisions and the arbitrage rebate liability. The amount accrued for arbitrage rebate liability represents the amount due to the IRS for earnings in excess of allowable yields.

(11) Federal Family Education Loan Program

From fiscal year 2003 through fiscal year 2010, the AlaskAdvantage program offerings included loans governed by the Higher Education Act (HEA), specifically federally guaranteed Stafford (subsidized and unsubsidized), PLUS and Consolidation (subsidized and unsubsidized) loans. To accommodate the federal loan program, the Corporation secured the status of "eligible lender" and entered into various agreements with Northwest Education Loan Association (NELA), which serves as the "eligible" guarantor.

Effective July 1, 2010, the lender-based loan program governed by the HEA ended. The Corporation continues to hold and administer the existing FFELP portfolio.

As a holder of federal loans, the Corporation receives claim, special allowance and interest subsidy payments and pays excess interest and rebate fees on federally guaranteed loans as specified in the HEA. The HEA is subject to amendment that could impact these receipts and payments.

Claim payments are received from the guarantor when a borrower dies, becomes totally and permanently disabled or defaults on their loan. The lender is eligible for these payments provided they adhere to servicing requirements outlined in the HEA. Failure to fulfill the requirements may result in an interest penalty or loss of guarantee. In the case of a default claim, unpaid principal and interest are guaranteed at 98% if first originated prior to July 1, 2006 and 97% if first originated after June 30, 2006. Claims as a result of a borrower’s death or becoming totally and permanently disabled are guaranteed at 100%.

(11) Federal Family Education Loan Program (cont.)

Special allowance rates are calculated quarterly based on the quarter's daily average three-month commercial paper rate as established by the Department plus a predetermined factor that varies according to loan type, disbursement date, loan status, and not-for-profit eligibility of the lender less the loan's applicable interest rate. When the calculated rate is positive special allowance payments are received from the Department, when the calculated rate is negative the Corporation pays excess interest to the Department on loans first disbursed after April 1, 2006.

Interest subsidies are received quarterly from the Department on behalf of a qualified subsidized Stafford or subsidized Consolidation loan borrower during periods of enrollment, grace, deferment and eligible income based repayment periods.

A rebate fee, equal to 0.0875% of the unpaid principal and interest on Consolidation loans, is paid monthly to the Department.

An origination fee was paid to the Department for Stafford and PLUS loans guaranteed through June 30, 2010 and disbursed by September 30, 2010. The fee was equal to a percentage of the disbursed amount. Borrowers of PLUS loans were charged 3%. Borrowers of Stafford loans were charged 0.5% for the six-month period ending December 31, 2009. The Corporation elected to pay the Stafford origination fee on behalf of the borrower's.

Payment of a lender fee was required on federal loans guaranteed through June 30, 2010 and disbursed by September 30, 2010 in an amount equal to 1.0% of the disbursed amount. Origination and lender fees were paid quarterly to the Department.

Default fees were paid monthly to the guarantor for loans guaranteed through June 30, 2010 and disbursed by September 30, 2010. The fee, in the amount of 1.0% of the disbursed amount, was paid on behalf of the borrower.

(12) Commitments and Contingencies

(a) *Operations*

The Corporation will fund approximately $6,591 of the Commission's fiscal year 2011 operating budget. In addition, the Corporation will fund expenditures related to the Commission's fiscal year 2010 operating and capital project budgets of approximately $205. The Commission's budget is subject to review and approval from both the executive and legislative branches of the State. Amounts funded by the Corporation will be based on expenditures paid by the Commission, on the Corporation's behalf.

(b) *Return of Capital*

State statutes indicate that the Board may elect to pay the State a return of contributed capital or dividend annually based on net income. If the Board elects to make such a payment, the amount may not be less than 10%, or greater than 35%, of the Corporation's income before transfers when it equals or exceeds $2,000 for the Base Fiscal Year. The Base Fiscal Year is defined as the fiscal year ending two years before the end of the fiscal year in which the payment is made.

(12) Commitments and Contingencies (cont.)

(b) ***Return of Capital (cont.)***

On October 27, 2010 and November 10, 2009, the Board chose not to return capital, based on net income, to the State in fiscal year 2012 and 2011, respectively.

As an additional means of returning capital, State statutes allow the Corporation to issue bonds to finance State capital projects. No bonds have been issued since 2005 for this purpose. In fiscal years 2005 and 2004, the Corporation issued $163,445 of capital project bonds to finance State capital projects. The Corporation reimburses the State for expenditures related to projects funded with Corporation capital project bond proceeds. Restricted investments include amounts specifically designated for financing State capital projects totaling $12,444 and $13,933 at December 31, 2010 and 2009, respectively.

(c) ***State Permanent Fund Dividend Garnishment***

The Alaska Permanent Fund (Permanent Fund), established in the State Constitution in 1976, is held and managed by the State. The State deposits a percentage of oil and gas royalties into the Permanent Fund. By statute, the State pays a portion of the earnings of the Permanent Fund annually to individuals who apply and meet certain residency requirements, provided that sufficient funds are available for payment. Permanent Fund Dividend (PFD) payments could be eliminated or reduced by an amendment to State statutes. The Commission may garnish a borrower's PFD payment, if any, to satisfy the balance of a defaulted loan pursuant to State statutes. The Commission has garnishment priority over all other executors except State child support enforcement and any court ordered restitution. There is no assurance that any particular borrower will apply or qualify for a PFD payment.

PFD garnishments collected by the Commission were approximately $3,336 and $3,371 for the years ended December 31, 2010 and 2009, respectively.

(12) Commitments and Contingencies (cont.)

(d) ***Legislation***

The State Supplemental Education Loan program has traditionally been the subject of legislative action by the State. The laws governing the program have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the State program cannot be determined.

The HEA has traditionally been the subject of legislative action by the Federal government. The HEA and related federal regulations have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the Federal loans held by the Corporation, cannot be determined.

(e) ***Non Investment Interest Rate Risk***

The Corporation is subject to interest rate risk relating to its variable rate bonds and variable rate loans. The bonds are subject to an interest rate cap of 10.50% while the loans are subject to an interest rate cap of 8.25% to 9.00% depending on loan type. The Corporation has various strategies available to manage the risk that the bond rate may rise above the loan rate.